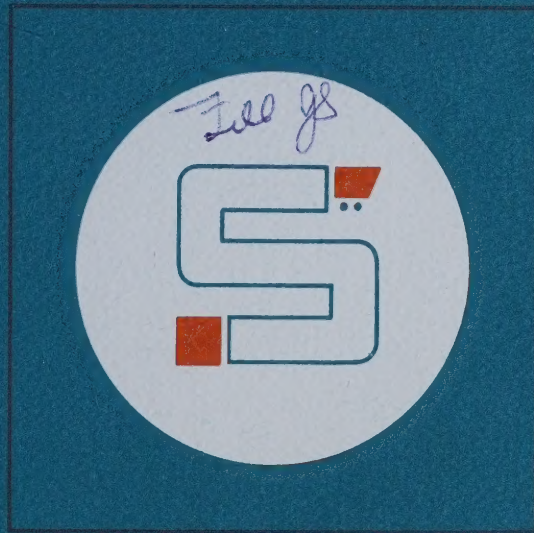


THE SULLIVAN MINING GROUP

AR26



ANNUAL REPORTS for the year ended August 31 1967

SUMMARY BALANCE SHEET
(SUBJECT TO YEAR END AUDIT)

6 MONTHS
FEBRUARY 28
1967

YEAR ENDED
AUGUST 31
1966

ASSETS

Current assets	\$ 2,926,159.	\$ 2,764,174.
Investments, at market	1,802,027.	2,204,480.
Other assets	1,790,688.	1,910,127.
	<u>\$ 6,518,874.</u>	<u>\$ 6,878,781.</u>

LIABILITIES

Current liabilities	\$ 46,209.	\$ 39,881.
Notes & mortgage	36,083.	43,037.
Shareholders' equity		
2,550,000 outstanding shares	6,436,582.	6,795,863.
	<u>\$ 6,518,874.</u>	<u>\$ 6,878,781.</u>

STATEMENT OF OPERATIONS

(SUBJECT TO YEAR END AUDIT)

Net sales	\$ 50,700.	\$ 235,416.
Deduct: costs & expenses	44,259.	499,629.
Depreciation & amortization	156,957.	400,184.
Idle Plant expenses	79,756.	115,610.
	<u>280,972.</u>	<u>1,015,423.</u>
Operating loss	230,272.	780,007.
Investment and other income	258,923.	887,129.
Net profit	<u>\$ 28,651.</u>	<u>\$ 107,122.</u>

See Note 4

PER SHARE DATA

Net profit	\$0.01	\$0.04
Book net worth	\$2.52	\$2.66

AR26

NOTES

1. Favourable salvaging operations at the Sullivan Gold Mine are deferring its closure by a few months.
2. The Sullico plant closed on November 30, 1966. Equipment is presently being dismantled and sold.
3. The six month's strike of the Solbec employees was settled in March 1967. The personnel has returned to work and underground operations have resumed. The Solbec mill was sold to Cupra Mines, Ltd. on February 6, 1967, resulting in a profit of \$303,523. This non-recurring profit, combined with investment income of \$289,857, resulted in a profit of \$100,945., after deducting the operating loss of \$492,435.
4. The Quebec Lithium "mine and plant" was shut down for an indefinite period of time in November 1966.
5. The estimated profit of Cupra, for the six-month period, realized at current metal prices, amounts to \$1,651,965., after deducting milling and shipping costs of the ore stockpiled on surface. Cupra paid to the companies of the Group dividends totalling \$1,800,000. during the period.

Interim

Reports

for the six months

ended February 28

1967

THE SULLIVAN MINING GROUP

SULLIVAN CONSOLIDATED MINES LIMITED

SUMMARY BALANCE SHEET
(SUBJECT TO YEAR END AUDIT)

	FEBRUARY 28	
	1967	1966
ASSETS		
Current assets	\$ 1,639,577.	\$ 886,930.
Investments, at market	15,193,071.	20,493,168.
Other assets	4,585,205.	4,700,150.
	<u>\$21,417,853.</u>	<u>\$26,080,248.</u>
LIABILITIES		
Current liabilities	\$ 76,357.	\$ 221,239.
Shareholders' equity 4,000,000 outstanding shares	21,341,496.	25,859,009.
	<u>\$21,417,853.</u>	<u>\$26,080,248.</u>

STATEMENT OF OPERATIONS
(SUBJECT TO YEAR END AUDIT)

Bullion production	\$ 692,828.	\$ 663,056.
Add: gold assistance	176,500.	193,000.
	<u>869,328.</u>	<u>856,056.</u>
Deduct: costs and expenses	784,030.	961,026.
	<u>85,298.</u>	<u>(104,970.)</u>
Operating profit	1,152,622.	608,784.
Investment income	1,237,920.	503,814.
Provision for taxes	—	—
Net profit for the 6 months	<u>\$ 1,237,920.</u>	<u>\$ 503,814.</u>

See Notes 1 and 5

PER SHARE DATA

Net profit	\$0.31
Dividends paid during period	\$0.16
Book net worth	\$5.34

EAST SULLIVAN MINES LIMITED
and its subsidiary
SULLICO MINES LIMITED

SUMMARY CONSOLIDATED BALANCE SHEET
(SUBJECT TO YEAR END AUDIT)

	FEBRUARY 28	
	1967	1966
ASSETS		
Current assets	\$ 3,964,960.	\$ 5,703,312.
Investments, at market	19,110,047.	18,094,875.
Other assets	1,047,364.	1,303,767.
	<u>\$24,122,371.</u>	<u>\$25,101,954.</u>
LIABILITIES		
Current liabilities	\$ 200,333.	\$ 288,755.
Minority interest	306,532.	325,378.
Shareholders' equity 4,250,000 outstanding shares	23,615,506.	24,487,821.
	<u>\$24,122,371.</u>	<u>\$25,101,954.</u>

CONSOLIDATED STATEMENT OF OPERATIONS
(SUBJECT TO YEAR END AUDIT)

Net production	\$ 1,140,995.	\$ 2,007,268.
Deduct: costs and expenses	838,970.	1,047,745.
	<u>302,025.</u>	<u>959,523.</u>
Operating profit	1,842,652.	983,429.
Investment income	2,144,677.	1,942,952.
Provision for taxes	175,000.	261,700.
Less: minority interests	1,969,677.	1,681,252.
	<u>26,782.</u>	<u>23,312.</u>
Net profit for the 6 months	<u>\$ 1,942,895.</u>	<u>\$ 1,657,940.</u>

See Notes 2 and 5

PER SHARE DATA

Net profit	\$0.46
Dividends paid during period	\$0.30
Book net worth	\$5.56

HASTINGS MINING AND DEVELOPMENT CO. LTD.
and its subsidiary
SOLBEC COPPER MINES, LTD.

SUMMARY CONSOLIDATED BALANCE SHEET
(SUBJECT TO YEAR END AUDIT)

	FEBRUARY 28	
	1967	1966
ASSETS		
Current assets	\$ 5,065,629.	\$ 5,754,379.
Investments	226,919.	19,285.
Other assets	1,042,582.	2,084,793.
	<u>\$ 6,335,130.</u>	<u>\$ 7,858,457.</u>
LIABILITIES		
Current liabilities	\$ 355,584.	\$ 848,904.
Shareholders' equity 5,000,000 outstanding shares	5,979,546.	7,009,553.
	<u>\$ 6,335,130.</u>	<u>\$ 7,858,457.</u>

CONSOLIDATED STATEMENT OF OPERATIONS
(SUBJECT TO YEAR END AUDIT)

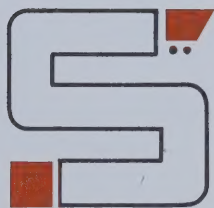
Net production	\$ (117,937.)	\$ 2,773,272.
Deduct: costs and expenses	281,618.	771,950.
Depreciation & amortization	85,526.	299,108.
	<u>367,144.</u>	<u>1,071,058.</u>
Operating profit	(485,081.)	1,702,214.
Profit on sales of assets	303,523.	—
Investment income	282,503.	185,874.
Provision for taxes	100,945.	1,888,088.
	<u>—</u>	<u>620,000.</u>
Net profit for the 6 months	<u>\$ 100,945.</u>	<u>\$ 1,268,088.</u>

See Notes 3 and 5

PER SHARE DATA

Net profit	\$0.02
Dividends paid during period	\$0.20
Book net worth	\$1.20

DEC - 5 1967



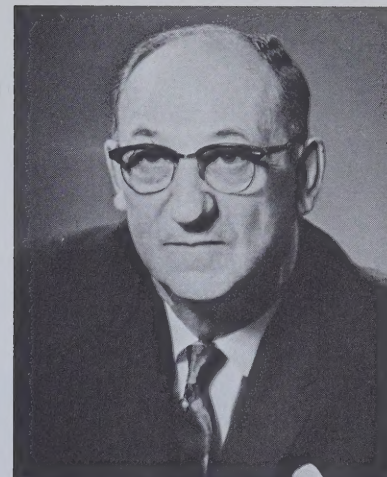
- **Sullivan Consolidated Mines Limited**
- **East Sullivan Mines Limited**
- **Quebec Lithium Corporation**
- **Hastings Mining and Development Co. Ltd.**
- **Cupra Mines Ltd.**
- **D'Estrie Mining Company Ltd.**
- **Nigadoo River Mines Limited**

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Annual Reports 1966-67

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Les actionnaires qui
préféreraient recevoir ce rapport
en français sont priés
de communiquer avec le
secrétaire de la compagnie,
suite 1403, 507 Place d'Armes,
Montréal.



PIERRE BEAUCHEMIN, Dr ès Sc.

TO ALL SHAREHOLDERS,

We are pleased to submit to you the individual reports of the main companies of the Sullivan Mining Group for the year ended August 31, 1967. They are included in this one booklet for your interest.

The field of activity of the "Sullivan" group covers mine explorations, development, financing and management.

Sullivan Consolidated Mines Limited and East Sullivan Mines Limited constitute the two main holding companies of the group. Their growth stems essentially from investments applied to the financing of new mining ventures, called 'affiliates'.

In the present 'booklet of reports' we introduce for the first time a "summary" consolidated balance sheet depicting how the assets and liabilities of the Group are distributed. In this way, the average yield for the Group can be readily discerned (see pages 4 and 5).

THE RESULTS

The net profits received by the Sullivan Mining Group during the last fiscal period amounted to \$4,037,540. in comparison to \$8,174,901. for the preceding period. Loss of six months production due to a labour dispute at our Eastern Townships affiliate and a reduction of \$0.15 per pound received for the copper produced due to metal market conditions, caused this marked reduction in profits. The general and continuing condition for the sale of metals remains nonetheless favourable. It would have, of course, been unrealistic to expect the prices for copper to remain at the high levels experienced during 1965-66. The new summary consolidated balance sheet shows that the group

administered, in total \$34,613,728. with a yield of 11.8% for the period. The disbursement for dividends by companies of the Group amounted to \$3,126,870. leaving 22% of the profits to be brought to the Retained Profits, that is \$910,670. Since its inception, the Sullivan Mining Group has disbursed a total of \$32,472,953. in dividends to shareholders outside its own participating companies, while the sum-total of dividends declared by the Group's companies amount to \$66,805,250. The seeming discrepancy results from the interlocking of the companies of the Group.

OUTLOOK

Operations at the Cupra and d'Estrie properties will provide substantial profits to the Group for many years to come. Solbec will add its fair contribution for at least the next two years. The start-up of operations at Nigadoo on November 1st, 1967, should in the near future confirm a new source of profits to serve the Group for a good number of years. A new affiliate, Chester Mines Limited, for which development is contemplated, might be an additional source of production for the next decade. In brief, the policies for expansion and mining exploration being pursued consistently by the Sullivan Mining Group are indicative of a sound growth.

On a sad note, we regret to inform you of the death, on November 6, 1967, of Lt.-Col. J. Roméo Gauvreau, Director of several companies of the Sullivan Mining Group. He became Chairman of the Board of Sullivan Consolidated Mines Limited in 1947. A director of Sullivan Consolidated Mines Limited since 1934, he was an esteemed and appreciated associate.

Pierre Beuchemin

President of the companies
of the Sullivan Mining Group

ASSETS

	August 31, 1967	August 31, 1966
CURRENT ASSETS:		
Cash on hand and in bank	\$ 508,288	\$ 2,811,342
Time deposits	5,767,795	4,575,000
Marketable securities at cost:		
Bonds (market value \$4,525,753)	4,633,527	4,763,824
Banks, public utilities and industrial shares (market value \$1,056,536)	872,417	937,329
Dividends receivable and accrued interest	81,459	83,874
Accounts receivable	761,846	1,556,934
Income taxes recoverable	128,918	—
Bullion at net realizable value	119,501	95,218
Receivable under the Emergency Gold Mining Assistance Act — estimated	148,076	108,586
Concentrates in stock, valued at estimated net returns under sales contracts	1,148,533	3,618,938
Ore stockpiled, valued at cost of extraction	603,394	—
Stocks of finished products, at the lower of cost or market	169,236	453,680
Mining and milling supplies, valued at average cost	1,288,930	1,779,191
Prepaid expenses	95,438	113,892
	<u>16,327,358</u>	<u>20,897,808</u>
 SPECIAL REFUNDABLE TAX	 <u>272,607</u>	 <u>173,247</u>
 DEPOSITS — transmission line and roads	 <u>440,000</u>	 <u>—</u>
 INVESTMENTS — at cost		
Other mining companies	126,228	66,902
Loans and mortgages	42,159	47,665
	<u>168,387</u>	<u>114,567</u>
 FIXED ASSETS:		
Mining properties	736,131	1,076,224
Land, buildings, plant and equipment less accumulated depreciation of \$8,705,152	8,181,834	7,629,064
	<u>8,917,965</u>	<u>8,705,288</u>
 OTHER ASSETS:		
Pre-production expenses	9,371,353	7,031,311
Outside exploration expenditures	811,434	802,565
Organization expenses	27,462	20,876
	<u>10,210,249</u>	<u>7,854,752</u>
	<u>\$36,336,566</u>	<u>\$37,745,662</u>

TOTAL GROUP BALANCE SHEET (unaudited)

as at August 31, 1967

(With comparative figures as at August 31, 1966)

LIABILITIES

	August 31, 1967	August 31, 1966
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	\$ 795,616	\$ 1,341,583
Wages payable	165,842	150,721
Unclaimed dividends	11,413	11,473
Provision for Quebec mining duties and income taxes	336,000	2,005,767
Instalment due December 23, 1967 on 3% mortgage payable, plus accrued interest	8,134	8,303
	<u>1,317,005</u>	<u>3,517,847</u>
3% MORTGAGE PAYABLE on Real Estate payable in annual instalments to December 23, 1972 less instalment due in 1967	35,833	43,037
NOTES PAYABLE non interest bearing notes due within one year after start of production at Nigadoo River Mines Limited	<u>100,000</u>	<u>100,000</u>
6½% DEBENTURES Maturing August 31, 1974 (Chester Mines Limited)	<u>270,000</u>	<u>—</u>
SHAREHOLDERS' EQUITIES		
Sullivan Consolidated Mines Limited 2,858,850 shares — (71.5%) per share 4.71 (1966 \$4.46)	13,464,525	12,756,332
East Sullivan Mines Limited 2,587,300 shares — (60.9%) per share \$5.92 (1966 \$5.82)	15,308,431	15,063,258
Sullico Mines Limited 59,876 shares — (1.4%) per share \$5.46 (1966 \$5.38)	326,764	327,317
Quebec Lithium Corporation 1,055,600 shares — (41.4%) per share \$2.42 (1966 \$2.48)	2,558,406	2,617,858
Hastings Mining & Development Co. Ltd. 1,558,596 shares — (31.2%) per share \$1.19 (1966 \$1.43)	1,852,665	2,234,262
Nigadoo River Mines Limited 630,757 shares — (21.8%) per share \$0.67 (1966 \$0.67)	425,046	425,046
Courvan Mining Company Limited 1,756,225 shares — (43.9%) per share \$0.24 (1966 \$0.24)	415,157	421,846
Federal Metals Corporation 796,195 shares — (29.4%) per share \$0.29 (1966 \$0.30)	232,734	238,859
Chester Mines Limited 675,000 shares — (22.5%) per share \$0.04	<u>30,000</u>	<u>—</u>
	<u>34,613,728</u>	<u>34,084,778</u>
	<u>\$36,336,566</u>	<u>\$37,745,662</u>

NOTE 1 — The above balance sheet (unaudited), consolidating the total assets (after elimination of certain mining properties — see page 63, note 3) and the liabilities of nine companies of the Sullivan Mining Group, represents fairly the shareholders' equity that would have been arrived at, had this balance sheet been consolidated and certified upon by our auditors.

NOTE 2 — The number of shares, with percentages shown under each company's name, does not represent the total shares issued by each company but represents the shares held by the public, deduction made of inter-companies' holdings.

NOTE 3 — The value shown under each company's name represents the interests held by the public in the net assets at cost. No market value has been used for the shares in this compilation.

THE SULLIVAN MINING GROUP

TOTAL STATEMENT OF OPERATIONS

for the year ended August 31, 1967

(With comparative figures as at August 31, 1966)

	August 31, 1967	August 31, 1966
PRODUCTION	\$12,633,486	\$25,737,688
LESS: Cost of realization, brokerage and freight	2,815,218	6,012,147
	<u>9,818,268</u>	<u>19,725,541</u>
DEDUCT:		
Development and exploration expenses	13,479	439,493
Mining expense	2,973,835	3,948,840
Milling expense	856,367	1,793,462
General mine overhead	692,055	613,355
Refinery operating expenses	—	229,517
Idle plant expenses	330,679	115,610
Marketing and technical research	26,944	16,210
General administration expenses	385,158	344,118
Depreciation of buildings, plant and equipment	837,651	1,070,337
Amortization of pre-production expenditures	399,833	689,310
	<u>6,516,001</u>	<u>9,260,252</u>
LESS:		
Estimated cost aid and recoverable under the Emergency Gold Mining Assistance Act	310,140	363,792
	<u>6,205,861</u>	<u>8,896,460</u>
OPERATING PROFIT	<u>3,612,407</u>	<u>10,829,081</u>
Loss on sales of mining and milling supplies	64,704	—
Devaluation of mining and milling supplies	236,164	200,626
Expenses of closing the mine	241,610	—
Outside exploration expenses written off	280,966	391,619
	<u>823,444</u>	<u>592,245</u>
	<u>2,788,963</u>	<u>10,236,836</u>
OTHER INCOME:		
Net Profit on disposals of fixed assets	581,846	34,842
Sales and recovered supplies	138,249	—
Dividends	46,377	34,087
Interest	568,552	349,712
Profit on sales of investments	5,899	302,834
	<u>1,340,923</u>	<u>721,475</u>
PROFIT BEFORE MINING DUTIES AND INCOME TAXES	4,129,886	10,958,311
PROVISION FOR MINING DUTIES AND INCOME TAXES — NET	<u>92,346</u>	<u>2,783,410</u>
TOTAL NET PROFIT	<u>\$4,037,540</u>	<u>\$8,174,901</u>

SULLIVAN CONSOLIDATED MINES LIMITED

BOARD OF DIRECTORS

Dr. Pierre Beauchemin
President

Jean Beauchemin
Vice-President

Lucien C. Béliveau, Eng.
General Manager

J. Jacques Beauchemin, Attorney

P. Ernest Beauchemin, Attorney

J. Ernest Laforce

André Beauchemin, Eng.
Executive Assistant to the President
Secretary-Treasurer

OTHER OFFICERS

Réal J. Lafleur
Assistant Secretary-Treasurer

J. P. Bonneville, Eng.
Mine Manager

Maurice Scott, Eng.
Exploration Manager

AUDITORS

Anderson & Valiquette
Montreal, Que.

BANK

National Canadian Bank

TRANSFER AGENTS

Eastern and Chartered Trust Company
Montreal and Toronto

Bankers Trust Company
New York, U.S.A.

LISTED

Canadian Stock Exchange
Toronto Stock Exchange

MINE OFFICE

Sullivan Mines, Abitibi, Que.

HEAD OFFICE

Suite 1403, 507 Place d'Armes
Montreal, Que.

ANNUAL MEETING

December 15, 1967 at 11.00 a.m.
Windsor Hotel, Montreal, Que.



November 14, 1967

SULLIVAN CONSOLIDATED MINES LIMITED

Submitted with pleasure herewith is the annual report of your company for the fiscal period ended August 31, 1967.

FINANCIAL HIGHLIGHTS

The following tabulation compares the last 10 fiscal periods, on a per-share basis:

Fiscal Period	8 months									
	1966-7	1965-6	1964-5	1963-4	1962-3	1961-2	1961	1960	1959	1958
Net Profit	\$0.60	0.49	0.30	0.16	0.10	0.06	0.05	0.03	0.01	(0.03)
Shareholders holding at end of period	\$5.26	5.00	5.95	4.68	3.59	3.32	4.13	3.00	3.11	3.60
Dividends Paid	\$0.32	0.30	0.25	0.12	—	—	—	—	—	—

The fiscal year 1966-67 was the ninth consecutive year during which the net profit of your company increased substantially. After dividend pay-out, \$1,136,363. was carried to Retained Surplus. Once more a significant gain in capital has advanced your company's financial position.

DIVIDENDS

Dividends paid during the year amounted to \$1,280,000., that is \$0.32 per share: They are paid quarterly. Since its inception, a total amount of \$13,560,000. has been disbursed as dividends, that is \$3.39 per share.

NET EFFECTIVE INTEREST

Here is a table showing the Net Effective Interest held by your company in its main affiliates (the net effective interest is necessarily greater than the percentage of direct interest in each affiliate, due to the interlocking of the companies of the Group).

42.4% in East Sullivan Mines Limited	54.8% in Quebec Lithium Corporation
62.6% in Cupra Mines, Ltd.	65.2% in d'Estrie Mining Company Ltd.
39.1% in Hastings Mining and Development Co. Ltd.	36.3% in Courvan Mining Co. Ltd.
51.0% in Nigadoo River Mines Limited	46.0% in Federal Metals Corporation
48.0% in Chester Mines Limited	

CUPRA



NIGADOO



The net effective interest indicated above reflects more adequately the financial contribution of the operations of affiliates to the net earnings forecasted for your company. Please note the annual report of our affiliates included in this folio for further information.

CURRENT EXPANSION

During the current year, your company's financing of development of new mining ventures was of the order of \$1,516,500., compared to \$459,858. for the previous year.

Two new affiliates were under development during this period: "Nigadoo" and "d'Estrie". At Nigadoo, the start-up period began on November 1, 1967 (see page 53); while at "d'Estrie", sinking of the internal shaft and other preliminary development work were the main objectives during the year ended (see page 51).

EXPLORATION

Exploration on the property optioned from Chesterville Mines Limited, in the Northumberland County of New Brunswick, is proceeding well. Results to date have justified the Sullivan Group's decision to exercise the option. A new company, Chester Mines Limited, has been incorporated to take over the property. Metallurgical tests are being processed and a feasibility study will follow. Your management is hopeful that this property will reach a production stage within a few years. We draw your attention to the report of our Manager of Explorations for more detailed information (see page 59).

GENERAL

The general annual meeting of shareholders will be held in Montreal, at the Windsor Hotel, on Friday, December 15, 1967.

You are cordially invited to attend.

Your directors wish to express their appreciation to all employees of the company, staff and officers, for their loyal services.

For the Board of Directors,

PIERRE BEAUCHEMIN
President

SULLIVAN CONSOLIDATED MINES LIMITED

(Incorporated under the Quebec Companies' Act)

ASSETS

	August 31, 1967	August 31, 1966
CURRENT ASSETS:		
Cash on hand and in bank	\$ 94,232	\$ 632,186
Time deposits	131,508	50,000
Marketable securities: Bonds at market value — Annex I	148,125	146,075
Gold bullion at net realizable value	119,501	95,218
Receivable under Emergency Gold Mining Assistance Act — Estimated	148,076	108,586
Accounts receivable	68,027	23,072
Accrued interest	4,026	3,543
Mining, milling and refinery supplies at average cost, reduced to possible amount of realization	55,017	170,651
Prepaid expenses	4,938	18,678
	<u>773,450</u>	<u>1,248,009</u>
INVESTMENTS IN AFFILIATED COMPANIES — Annex I:		
Listed shares at market value	11,381,704	14,695,114
Shares valued as per shareholders' equity shown on audited balance sheet as at August 31 — Cupra Mines Limited	682,411	769,751
Other shares at cost	526,637	425,647
Loans and advances	3,175,055	1,658,555
	<u>15,765,807</u>	<u>17,549,067</u>
Mortgages receivable and other securities	47,942	37,000
FIXED ASSETS:		
Mining properties at cost	4,084,273	4,084,273
Buildings, plant and equipment at cost — Less accumulated depreciation of \$2,108,417	274,630	306,592
	<u>4,358,903</u>	<u>4,390,865</u>
OUTSIDE EXPLORATION EXPENDITURES, less amount written off	220,584	212,191
	<u>\$21,166,686</u>	<u>\$23,437,132</u>

Approved on behalf of the Board of Directors
 LUCIEN C. BÉLIVEAU
 J.-JACQUES BEAUCHEMIN

AUDITORS' REPORT TO THE SHAREHOLDERS

BALANCE SHEET

as at August 31, 1967

(With comparative figures as at August 31, 1966)

LIABILITIES

	August 31, 1967	August 31, 1966
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	\$ 69,318	\$ 56,414
Wages payable	44,904	40,428
Unclaimed dividends	11,413	11,473
	<u>125,635</u>	<u>108,315</u>
 CAPITAL STOCK:		
Authorized, issued and fully paid:		
4,000,000 common shares of \$1.00 par value.	4,000,000	4,000,000
Contributed Surplus: Proceeds from sales of donated shares	361,384	361,384
Retained Profits, as per statement "2"	6,561,127	5,424,764
	<u>10,922,511</u>	<u>9,786,148</u>
Unrealized appreciation on investments.	10,118,540	13,542,669
SHAREHOLDERS' EQUITY	<u>21,041,051</u>	<u>23,328,817</u>
	<u>\$21,166,686</u>	<u>\$23,437,132</u>

NOTE 1 — Contingent liability — Additional Quebec capital tax of about \$53,000 claimed for the years 1964 to 1967 which is being contested by the Company.

NOTE 2 — Legal proceedings against Sullico Mines Limited concerning the issue and allotment of 4/5 of 340,000 shares in escrow of Sullipek Mines Inc. (non affiliated company) in favor of Sullico Mines Limited et al, in which shares Sullivan Consolidated Mines Limited has an interest, and in case of default in the delivery of such shares payment of the sum of \$1,000,000 in damages by Sullico Mines Limited: in the opinion of the legal adviser of the Company, these proceedings are ill founded in fact and in law.

NOTE 3 — Annex I: Schedule of Investments.

NOTE 4 — Annex II: Statement of Source and Application of Funds.

We have examined the balance sheet of Sullivan Consolidated Mines Limited as at August 31, 1967 and the statements of operations, retained profits and contributed surplus for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements, supplemented by the notes therein mentioned, present fairly the financial position of the Company as at August 31, 1967 and the results of its operations for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year, excepting the devaluation of the stock of mining and milling supplies from average cost to a possible realization value with which we concur.

Montreal, November 9, 1967.

ANDERSON & VALIQUETTE
Chartered Accountants

SULLIVAN CONSOLIDATED MINES LIMITED

STATEMENT OF OPERATIONS

for the year ended August 31, 1967

(With comparative figures as at August 31, 1966)

	August 31, 1967	August 31, 1966
Gold bullion production	\$1,396,146	\$1,298,645
Less: Mint and handling charges	10,411	9,752
	<u>1,385,735</u>	<u>1,288,893</u>
DEDUCT:		
Development and exploration	—	190,527
Mining expense	910,855	1,038,914
Milling expense	341,212	369,898
General mine overhead	80,825	93,520
Depreciation of buildings, plant and equipment	30,404	36,016
General administration expenses	83,737	66,445
	<u>1,447,033</u>	<u>1,795,320</u>
Deduct: Estimated cost aid recoverable under the Emergency Gold Mining Assistance Act	310,140	363,792
	<u>1,136,893</u>	<u>1,431,528</u>
OPERATING PROFIT	<u>248,842</u>	<u>(142,635)</u>
Outside exploration expenditures written off	88,814	124,548
Devaluation of supplies to possible realization value	68,123	—
	<u>156,937</u>	<u>124,548</u>
	<u>91,905</u>	<u>(267,183)</u>
OTHER INCOME:		
Dividends	2,252,526	2,184,052
Interest	65,924	25,823
Net profit on disposal of fixed assets	6,008	1,458
	<u>2,324,458</u>	<u>2,211,333</u>
NET PROFIT FOR THE YEAR, carried to Retained Profits	<u>\$2,416,363</u>	<u>\$1,944,150</u>
RETAINED PROFITS		
Balance at beginning of year	\$5,424,764	\$4,680,614
Add: Net profit for year ended August 31	2,416,363	1,944,150
	<u>7,841,127</u>	<u>6,624,764</u>
Deduct: Dividends paid	1,280,000	1,200,000
BALANCE AS AT AUGUST 31, carried to Balance Sheet	<u>\$6,561,127</u>	<u>\$5,424,764</u>
CONTRIBUTED SURPLUS		
BALANCE AS AT AUGUST 31, as per Balance Sheet	<u>\$ 361,384</u>	<u>\$ 361,384</u>

SCHEDULE OF INVESTMENTS

as at August 31, 1967

Annex I

MARKETABLE SECURITIES:

	Cost	Market Value
Bonds	\$ 151,500	\$ 148,125

SHARES IN AFFILIATED COMPANIES:

	Total shares held	Market price		
Hastings Mining & Development Co. Ltd.	588,550	\$1.49	\$ 94,117	\$ 876,939
Quebec Lithium Corp.	1,102,050	1.85	625,906	2,038,792
East Sullivan Mines Ltd.	1,561,850	5.35	946,601	8,355,898
Courvan Mining Co. Ltd.	733,833	.15	193,076	110,075
			<u>\$1,859,700</u>	<u>\$11,381,704</u>

Cupra Mines Ltd.:

Valued as per audited balance sheet on August 31, 1967	900,000	\$ 82,500	\$ 682,411
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OTHER SHARES AT COST:

Federal Metals Corp.	637,385*	\$ 308,302	No current market value
Eastern Explorers Corp.	183,339*	7,846	
Nigadoo River Mines Ltd.	756,413	53,759	
Peninsula Metals Corp.	100,007*	9,945	
D'Estrie Mining Co. Ltd.	596,852	59,685	
Chester Mines Ltd.	180,250*	8,650	
Brompton Mines Ltd.	205,000*	600	
		<u>\$ 448,787</u>	

DEBENTURES:

Chester Mines Ltd., 6½%, August 31, 1974 (Interest payable as from 1969)	\$79,000	\$ 77,850
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LOANS AND ADVANCES:

Nigadoo River Mines Ltd.	\$2,032,500
Cupra Mines Ltd.	625,000
D'Estrie Mining Co. Ltd.	404,000
Chester Mines Ltd.	110,000
Sundries	3,555
	<u>\$3,175,055</u>

OTHER MINING SHARES*	\$ 16,448
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*Inclusive of the following pooled shares:

Eastern Explorers Corp.	183,333
Federal Metals Corp.	67,335
Peninsula Metals Corp.	100,000
Chester Mines Ltd.	93,750
Brompton Mines Ltd.	205,000
Sullipek Mines Ltd.	45,000

SULLIVAN CONSOLIDATED MINES LIMITED

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

Annex II

CURRENT ASSETS as at August 31, 1966	\$1,248,009		
CURRENT LIABILITIES as at August 31, 1966	<u>108,315</u>	\$1,139,694	
SOURCE OF FUNDS:			
Net profit for the year	2,416,363		
Depreciation	30,404		
Increase in value of marketable bonds	2,050		
Instalments paid on mortgage	506		
Sales of fixed assets, etc. — net	<u>3,439</u>	<u>2,452,762</u>	
		3,592,456	
APPLICATION OF FUNDS:			
Dividends paid to shareholders	1,280,000		
Acquisition of investments in affiliated companies	126,419		
Purchases of other mining shares	11,448		
Additional advances to affiliated companies	1,516,500		
Outside exploration expenditures	8,393		
Purchases of equipment	<u>1,881</u>	<u>2,944,641</u>	<u>\$ 647,815</u>
CURRENT ASSETS as at August 31, 1967		\$ 773,450	
CURRENT LIABILITIES as at August 31, 1967		<u>125,635</u>	
WORKING CAPITAL AS AT AUGUST 31, 1967			<u>\$ 647,815</u>

MINE MANAGER'S REPORT

October 18, 1967

The President and Directors,

SULLIVAN CONSOLIDATED MINES LIMITED

Gentlemen:

The present report covers the operations at your property for the year ended August 31, 1967.

MILLING

218,398 tons of ore were hoisted which produced 36,630.209 ounces of gold and 7,466.72 ounces of silver for a total value of \$1,396,146.

PRODUCTION SUMMARY

Ore Hoisted.....	218,398 tons at 3.50 DWT =	763,721 DWT
Waste Sorted.....	1,434 tons	
Ore to flotation.....	216,964 tons at 3.52 DWT =	763,721 DWT
Tailings.....	216,964 tons at 0.14 DWT =	31,117 DWT
Production.....	216,964 tons at 3.38 DWT =	732,604 DWT

ORE RESERVES

Ore reserves on September 1, 1967, were estimated at some 50,000 tons, a matter of only a few more months of production.

OPERATIONS DURING THE LIFE OF THE MINE

Since the beginning of operations in 1934, 5,802,687 tons of ore have been milled for a production of 1,104,078 ounces of gold — and the following work was executed:

8,593	feet of shaft
150,007	feet of drifts
62,860	feet of cross cuts
66,206	feet of raises
3,941	feet of ore and waste passes
1,267,824	feet of underground diamond drilling — and
78,499	feet of surface diamond drilling

GENERAL REMARKS

On July 22, 1967, hourly paid employees were given an increase of 10% plus three cents (3¢) per hour.

I wish to extend my sincere thanks to the President, the executive assistant, the General Manager and the Board of Directors, for their help and guidance.

Respectfully submitted,

J. P. BONNEVILLE, Eng.
Mine Manager

EAST SULLIVAN MINES LIMITED

(No Personal Liability)

BOARD OF DIRECTORS

Dr. Pierre Beauchemin
President

Lucien C. Béliveau, Eng.
General Manager

J. Jacques Beauchemin, Attorney
Vice-President

P. Ernest Beauchemin, Attorney
Jean Beauchemin

Claude Beauchemin, Attorney

André Beauchemin, Eng.
Executive Assistant to the President
Secretary-Treasurer

OTHER OFFICERS

Réal J. Lafleur,
Assistant Secretary-Treasurer

J. P. Bonneville, Eng.
Mine Manager

Maurice Scott, Eng.
Exploration Manager

AUDITORS

Anderson & Valiquette
Montreal, Que.

BANK

National Canadian Bank

TRANSFER AGENTS

Guaranty Trust Company of Canada
Montreal and Toronto

Bankers Trust Company
New York, U.S.A.

LISTED

Canadian Stock Exchange
Toronto Stock Exchange

MINE OFFICE

Val d'Or, Abitibi, Que.

HEAD OFFICE

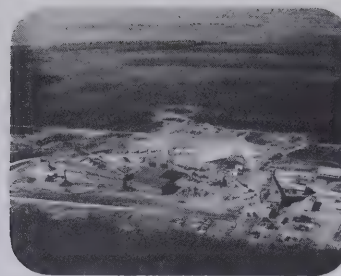
Suite 1403, 507 Place d'Armes
Montreal, Que.

ANNUAL MEETING

December 15, 1967 at 10.00 a.m.
Windsor Hotel, Montreal, Que.

DIRECTORS' REPORT

SOLBEC



November 14, 1967

EAST SULLIVAN MINES LIMITED

It is with pleasure that your Board of Directors herewith submits the 23rd annual report of your company for the fiscal period ended August 31, 1967.

FINANCIAL HIGHLIGHTS

Your interest is drawn to the following tabulation covering the last 10 fiscal periods, on a per-share basis:

Fiscal Period	8 months									
	1966-7	1965-6	1964-5	1963-4	1962-3	1961-2	1961	1960	1959	1958
Net Profit	\$0.87	1.14	0.52	0.33	0.22	0.33	0.33	0.15	0.11	(0.06)
Shareholders holding at end of period	\$5.57	5.87	5.69	5.30	3.77	3.77	3.88	3.19	3.09	3.18
Dividends paid	\$0.60	0.50	0.45	0.29	0.15	0.10	0.10	—	—	—

Your company earned a net profit of \$3,709,099. in comparison to \$4,831,453. the preceding period. The closure of the Sullico operation in November 1966 essentially accounts for the difference. Dividends from affiliated companies were the main source of profits for the period. Our affiliates may be relied upon for many years to come.

DIVIDENDS

Dividends paid during the year amounted to \$2,500,000., that is \$0.60 per share: they are paid quarterly. Since its inception, a total amount of \$27,949,250. has been disbursed as dividends, that is \$6.58 per share.

NET EFFECTIVE INTEREST

Here is a table showing the Net Effective Interest held by your company in its main affiliates (the net effective interest is necessarily greater than the percentage of direct interest in each affiliate due to the interlocking of the companies of the Group).

CUPRA



NIGADOO



31.6% in Sullivan Consolidated Mines Limited
 81.4% in Cupra Mines, Ltd.
 54.3% in Hastings Mining and Development Co. Ltd.
 66.0% in Nigadoo River Mines Limited

44.1% in Chester Mines Limited

30.7% in Quebec Lithium Corporation
 84.4% in d'Estrie Mining Company Ltd.
 47.6% in Courvan Mining Co. Ltd.
 59.6% in Federal Metals Corporation

The Net Effective Interest indicated above reflects more adequately the financial contribution of the operations of affiliates to the net earnings forecasted for your company. Please note the enclosed annual reports of our affiliates for further information.

CURRENT EXPANSION

During the year, your company's financing of development of new mining ventures was brought to \$6,740,110. from \$5,067,110. the previous year, a net increase of \$1,673,000.

Two new affiliates were under development during this period: "Nigadoo" and "d'Estrie". At Nigadoo, the start-up period began on November 1, 1967 (see page 53); while at "d'Estrie", sinking of the internal shaft and other preliminary development work were the main objectives during the year ended (see page 51).

EXPLORATION

Exploration on the property optioned from Chesterville Mines Limited, in the Northumberland County of New Brunswick, is proceeding well. Results to date have justified the Sullivan Group's decision to exercise the option. A new company, Chester Mines Limited has been incorporated to take over the property. Metallurgical tests are being processed and a feasibility study will follow. Your management is hopeful that this property will reach a production stage within a few years. We draw your attention to the report of our manager of exploration for more detailed information (see page 59).

GENERAL

The general annual meeting of shareholders will be held in Montreal, at the Windsor Hotel, on Friday, December 15, 1967.

You are cordially invited to attend.

Your management wishes to express its appreciation to all employees of the company, staff and officers, for their loyal services.

For the Board of Directors,

PIERRE BEAUCHEMIN
 President

EAST SULLIVAN MINES LIMITED

and its subsidiary

SULLICO MINES LIMITED

(No Personal Liability)

(Incorporated under the Quebec Mining Companies' Act)

ASSETS**CURRENT ASSETS:**

	August 31, 1967	August 31, 1966
Cash on hand and in bank	\$ 39,266	\$ 778,676
Time deposits	2,360,936	1,200,000
Accounts receivable	281,609	904,362
Marketable securities at market value — Annex I:		
Bonds	2,269,982	2,293,827
Banks, public utilities and industrial shares	907,545	917,598
Income taxes to be recovered	23,918	—
Dividends receivable and accrued interest	20,906	28,140
Concentrates in stock valued at estimated net return	—	562,784
Mining and milling supplies:		
At average cost	27,715	291,629
At possible realization value.	66,247	—
Prepaid expenses	8,527	19,704
	<u>6,006,651</u>	<u>6,996,720</u>

SPECIAL REFUNDABLE TAX

	<u>18,380</u>	<u>21,856</u>
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INVESTMENTS IN AFFILIATED COMPANIES — Annex I:

Listed shares at market value	8,364,297	10,242,546
Cupra Mines Limited — Shares valued as per shareholders' equity on verified balance sheet on August 31	1,364,814	1,539,501
Other shares and debentures at cost	963,736	848,256
Loans and advances	6,740,110	5,067,110
	<u>17,432,957</u>	<u>17,697,413</u>
Other shares at cost	47,359	12,006

FIXED ASSETS:

Mining claims.	201	340,348
Buildings, plant and equipment at cost — Less accumulated depreciation	171,043	332,581
	<u>171,244</u>	<u>672,929</u>

OUTSIDE EXPLORATION EXPENDITURES, less amounts written off	555,233	495,753
	<u>\$24,231,824</u>	<u>\$25,896,677</u>

Approved on behalf of the Board of Directors
LUCIEN-C. BÉLIVEAU
J.-JACQUES BEAUCHEMIN

AUDITORS' REPORT TO THE SHAREHOLDERS

CONSOLIDATED BALANCE SHEET

as at August 31, 1967

(With comparative figures as at August 31, 1966)

LIABILITIES

CURRENT LIABILITIES:

	August 31, 1967	August 31, 1966
Accounts payable and accrued expenses	\$ 212,003	\$ 163,531
Wages payable	19,681	15,090
Provision for Quebec mining profits tax, less instalments paid	21,000	105,807
Income taxes, less instalments paid	—	372,733
	<u>252,684</u>	<u>657,161</u>
Minority interests in subsidiary (including its portion of the unrealized appreciation on investments)	306,000	329,675

CAPITAL STOCK:

Authorized — 4,500,000 shares of \$1.00 par value	<u>\$4,500,000</u>	
Issued and paid — 4,250,000 shares	4,250,000	4,250,000
Contributed surplus — Premium on shares issued, as per statement "3"	700,503	700,503
Retained profits, as per statement "3"	<u>12,627,269</u>	<u>11,812,404</u>
	17,577,772	16,762,907
Unrealized appreciation on investments	<u>6,095,368</u>	<u>8,146,934</u>
SHAREHOLDERS' EQUITY	<u>23,673,140</u>	<u>24,909,841</u>
	<u>\$24,231,824</u>	<u>\$25,896,677</u>

NOTE 1 — Contingent liability: Additional Quebec capital tax of about \$40,000 claimed for the years 1964 to 1967 which is contested by the subsidiary, Sullico Mines Limited.

NOTE 2 — Legal proceedings against Sullico Mines Limited concerning the issue and allotment of 4/5 of 340,000 ordinary shares of Sullipek Mines Inc. (non affiliated company) in favor of Sullico Mines Limited et al, and in case of default in the delivery of such shares the sum of \$1,000,000: in the opinion of the legal advisor of the Company, these proceedings are ill founded in fact and in law.

NOTE 3 — Annex I: Schedule of Investments.

NOTE 4 — Annex II: Statement of Source and Application of Funds.

We have examined the consolidated balance sheet of East Sullivan Mines Limited and its subsidiary Sullico Mines Limited, as at August 31, 1967 and the related consolidated statements of operations, retained profits and contributed surplus for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements, supplemented by the notes therein mentioned, present fairly the financial position of the Companies as at August 31, 1967 and the results of their operations for the year then ended, in accordance with generally accepted accounting principles, applied on a basis consistent with that of the preceding year, excepting the devaluation of the inventory of mining and milling supplies from average cost to a possible realization value with which we concur.

Montreal, November 9, 1967.

ANDERSON & VALIQUETTE
Chartered Accountants

EAST SULLIVAN MINES LIMITED

and its subsidiary

SULLICO MINES LIMITED

(No Personal Liability)

CONSOLIDATED STATEMENT OF OPERATIONS

for the year ended August 31, 1967

(With comparative figures as at August 31, 1966)

"2"

	August 31, 1967	August 31, 1966
REVENUE FROM METAL RECOVERIES — production	\$1,258,395	\$5,113,174
LESS: Cost of realization, brokerage and freight	69,892	1,033,987
	<u>1,188,503</u>	<u>4,079,187</u>
DEDUCT:		
Development and exploration expenses	—	11,262
Mining expense	205,486	1,056,919
Milling expense	106,441	676,422
General mine overhead	350,523	280,906
Depreciation of buildings, plant and equipment	20,305	40,838
General administration expense	123,889	103,158
	<u>806,644</u>	<u>2,169,505</u>
OPERATING PROFIT	<u>381,859</u>	<u>1,909,682</u>
Outside exploration expense written off	192,152	249,118
Loss on sales of mining and milling supplies	37,505	—
Devaluation of mining and milling supplies to a possible amount of realization	28,391	—
Expenses of recuperation of supplies and closing of the mine	241,610	—
Provision for Quebec mining profits tax	39,000	120,807
	<u>538,658</u>	<u>369,925</u>
	<u>(156,799)</u>	<u>1,539,757</u>
Net profit on sales of buildings and machinery	228,174	(723)
Sales of recovered supplies and scrap	117,209	—
	<u>345,383</u>	<u>(723)</u>
	<u>188,584</u>	<u>1,539,034</u>
OTHER INCOME:		
Dividends	3,396,627	3,714,665
Interest	247,826	141,331
Profits on sales of bonds	3,310	30,316
	<u>3,647,763</u>	<u>3,886,312</u>
Profit before income taxes	<u>3,836,347</u>	<u>5,425,346</u>
Provision for income taxes	76,091	526,342
	<u>3,760,256</u>	<u>4,899,004</u>
DEDUCT: Portion pertaining to minority interests	51,157	67,551
CONSOLIDATED NET PROFIT FOR THE YEAR, carried to Retained Profits	<u>\$3,709,099</u>	<u>\$4,831,453</u>

NOTE 5 — Mining operations ceased on November 30, 1966.

CONSOLIDATED RETAINED PROFITS

as at August 31, 1967

(With comparative figures as at August 31, 1966)

	August 31, 1967	August 31, 1966
BALANCE at the beginning of the year	\$11,812,404	\$ 9,121,532
ADD: Consolidated net profit for the year	3,709,099	4,831,453
Adjustment of income taxes of prior years	46,490	—
Net adjustment from acquisition of shares in subsidiary company	3,419	(15,581)
	<u>15,571,412</u>	<u>13,937,404</u>
DEDUCT: Dividends paid	2,550,000	2,125,000
Reduction in fixed assets:		
Mining claims reduced to \$1.00	340,147	—
Additional depreciation on buildings applicable to prior years	53,996	—
	<u>2,944,143</u>	<u>2,125,000</u>
BALANCE AS AT AUGUST 31, carried to Balance Sheet	<u>\$12,627,269</u>	<u>\$11,812,404</u>

CONTRIBUTED SURPLUS

BALANCE AS AT AUGUST 31	<u>\$ 700,503</u>	<u>\$ 700,503</u>
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CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

Annex II

CURRENT ASSETS as at August 31, 1966	\$ 6,996,720	
CURRENT LIABILITIES as at August 31, 1966	<u>657,161</u>	\$ 6,339,559
SOURCE OF FUNDS:		
Net profit for the year	3,709,099	
Portion of profit: Minority interests in subsidiary	51,157	
Depreciation	20,305	
Sale of fixed assets (net)	130,061	
Increase in the appreciation in value of marketable securities	25,794	
Income taxes of prior years (adjustment)	46,490	
Special refundable tax reimbursed	<u>3,476</u>	<u>3,986,382</u>
	—	10,325,941
APPLICATION OF FUNDS:		
Dividends paid to shareholders	2,550,000	
Dividends paid to minority interests	36,211	
Purchase of shares: Sullico Mines Limited	4,765	
Purchase of shares of affiliated companies	50,858	
Additional advances to affiliated companies	1,673,000	
Additions to fixed assets	42,825	
Deferred outside exploration expenses	59,480	
Purchases: shares of public utilities	5,012	
shares and debentures of mining companies	<u>149,823</u>	<u>4,571,974</u>
	—	<u>5,753,967</u>
CURRENT ASSETS as at August 31, 1967	6,006,651	
CURRENT LIABILITIES as at August 31, 1967	<u>252,684</u>	
WORKING CAPITAL AS AT AUGUST 31, 1967		<u>\$5,753,967</u>

EAST SULLIVAN MINES LIMITED

and its subsidiary

SULLICO MINES LIMITED

(No Personal Liability)

SCHEDULE OF INVESTMENTS

as at August 31, 1967

Annex I

MARKETABLE SECURITIES:

	Cost	Market Value
Bonds	<u>\$2,272,287</u>	<u>\$2,269,982</u>
SHARES:		
Banks	\$ 421,988	543,193
Public utilities	316,415	291,829
Industries	28,277	39,265
Trusts and financial institutions	34,180	33,258
	<u>\$ 800,860</u>	<u>\$ 907,545</u>

	Shares held	Market Price as at August 31, 1967		
AFFILIATED COMPANIES:				
Hastings Mining & Development Co. Ltd.	2,064,154	\$1.49	\$ 405,792	\$3,075,589
Sullivan Consolidated Mines Ltd.	1,141,150	3.80	2,025,121	4,336,370
Quebec Lithium Corp.	392,350	1.85	786,682	725,848
Courvan Mining Co. Ltd.	1,509,932	.15	271,588	226,490
			<u>\$3,489,183</u>	<u>\$8,364,297</u>

Cupra Mines Ltd.:

Valuation as per shareholders' equity shown on the audited balance sheet as at August 31, 1967.	1,800,000	\$ 165,000	<u>\$1,364,814</u>
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OTHER SHARES:

D'Estrie Mining Co. Ltd.	1,193,710	\$ 119,377	No current market value
Nigadoo River Mines Ltd.	1,512,830	107,518	
Peninsula Metals Corp.	200,000*	19,771	
Eastern Explorers Corp.	366,667	12,194	
Federal Metals Corp.	1,274,770**-1	617,176	
Brompton Mines Ltd.	410,000*	1,200	
Chester Mines Limited	180,250**-2	8,650	
		<u>\$ 885,886</u>	

DEBENTURES: Chester Mines Limited, 6½%, August 31, 1974, Interest payable from 1969

\$79,000 \$ 77,850

SUNDRIES:

Sullipek Mines Inc.	375,000**-3	\$ 34,343
Adelaide Mines Ltd.	16,466 4/6	1,010
Clinton Copper Mines Ltd.	68,756	
Clinton Copper Mines Ltd. 4% pfd.	12,006	12,006
		<u>\$ 47,359</u>

LOANS AND ADVANCES:

Cupra Mines Ltd.	\$1,750,000
D'Estrie Mining Co. Ltd.	808,000
Nigadoo River Mines Ltd.	4,068,560
Chester Mines Limited	110,000
Sundries	3,550
	<u>\$6,740,110</u>

*Total pooled

**Including pooled shares: 1-135,870; 2-93,750; 3-165,000

MINE MANAGER'S REPORT

October 18, 1967

The President and Directors,
SULLICO MINES LIMITED (N.P.L.)

Gentlemen:

Operations ceased completely at your property on November 29, 1966. 160,647 tons of ore were hoisted and milled during the first three months of the fiscal year ended August 31, 1967. Production was 1,862,849 lbs of copper, 211 ounces of gold and 17,907 ounces of silver for a total value of \$1,258,395.

From the start of operations on January 2, 1949, until its final closure on November 29, 1966, the mill has treated 15,892,053 tons of ore, averaging 1.092% copper, 0.82% zinc, 0.01 ounce of gold and 0.30 ounce of silver.

The machinery and equipment, both surface and underground, have been salvaged and prepared for sale.

I wish to thank the President, his Assistant, the Directors and the General Manager for their help and their advice. I also wish to thank all members of the staff for their efficiency and loyalty.

Respectfully submitted,

J. P. BONNEVILLE, Eng.
Mine Manager

QUEBEC LITHIUM CORPORATION
(No Personal Liability)

BOARD OF DIRECTORS

Dr. Pierre Beauchemin
President

Jean Beauchemin
Vice-President

André Beauchemin, Eng.
Executive Assistant to the President
Secretary-Treasurer

Lucien C. Béliveau, Eng.
General Manager

J. Jacques Beauchemin, Attorney

P. Ernest Beauchemin, Attorney

André Latreille, Eng.

OTHER OFFICERS

Réal J. Lafleur,
Assistant Secretary-Treasurer

Maurice Scott, Eng.
Exploration Manager

AUDITORS

Anderson & Valiquette
Montreal, Que.

BANK

National Canadian Bank

TRANSFER AGENTS

Guaranty Trust Company of Canada
Montreal and Toronto

Bankers Trust Company
New York, U.S.A.

LISTED

Canadian Stock Exchange
Toronto Stock Exchange
American Stock Exchange

MINE OFFICE

Barraute, Abitibi, Que.

HEAD OFFICE

Suite 1403, 507 Place d'Armes
Montreal, Que.

ANNUAL MEETING

December 13, 1967 at 9.30 a.m.
Windsor Hotel, Montreal, Que.



November 14, 1967

QUEBEC LITHIUM CORPORATION

We submit you herewith, the thirteenth annual report of your Company, together with the financial statements as at August 31, 1967.

During 1966, the operations of your Company were suspended for an indefinite period of time. We then expressed hope that operations could be resumed at a later date, provided that the prospects for the Lithium industry improve to a sufficient extent. Since then, nothing happened that would justify your Directors to revise their policy.

During the period, we disposed of inventories of processed material and supplies. Expenses for the proper maintenance of the plant have been deeply curtailed. Even after a substantial reserve for depreciation, a net profit amounting to \$42,303. was earned by your Company, in comparison to \$107,122. during the preceding period.

Four companies of the Sullivan Mining Group including your Company, equally share the financing of a new affiliate, Chester Mines Limited. Each company is liable to retain a quarter of the 77.5% interest involved in Chester Mines Limited. For further information on Chester Mines Limited, please refer to page 59 of this report.

The annual meeting of the Shareholders will be held at the Windsor Hotel, on December 13, 1967, in Montreal, Quebec.

You are cordially invited to attend.

On behalf of the Board of Directors,

PIERRE BEAUCHEMIN
President

QUEBEC LITHIUM CORPORATION

(No Personal Liability)

(Incorporated under the Quebec Mining Companies' Act)

ASSETS

CURRENT ASSETS:

	August 31, 1967	August 31, 1966
Cash on hand and in bank	\$ 25,748	\$ 51,034
Time deposits	1,775,913	900,000
Marketable securities at market value — Annex I	600,822	693,962
Accrued interest	25,568	10,295
Accounts receivable	118,866	58,213
Stocks: Finished products at the lower of cost or market (1966 includes material in process)	169,236	576,746
	<u>2,716,153</u>	<u>2,290,250</u>

DEFERRED CHARGES:

Mining, milling and refinery supplies, valued at (realizable value in 1967) (average cost in 1966)	203,092	453,680
Prepaid expenses	20,831	20,244
	<u>223,923</u>	<u>473,924</u>

INVESTMENTS IN AFFILIATED COMPANIES — Annex I:

Shares at market value	1,714,710	2,204,480
Other shares at cost	8,650	—
Debentures at cost	77,850	—
Advances	110,000	—
	<u>1,911,210</u>	<u>2,204,480</u>

OTHER SECURITIES	5,724	—
REAL ESTATE AT COST	<u>111,175</u>	<u>111,175</u>

FIXED ASSETS:

Mining properties at cost	154,999	154,999
Buildings, plant and equipment at cost	1,238,587	1,569,231
LESS: Accumulated depreciation, including increase of prior years' provisions — \$5,128,095	<u>1,393,586</u>	<u>1,724,230</u>

OUTSIDE EXPLORATION EXPENDITURES, less amount written off	78,115	74,722
	<u>\$6,439,886</u>	<u>\$6,878,781</u>

Approved on behalf of the Board of Directors
ANDRÉ BEAUCHEMIN
LUCIEN-C. BÉLIVEAU

AUDITORS' REPORT TO THE SHAREHOLDERS

BALANCE SHEET

as at August 31, 1967

(With comparative figures as at August 31, 1966)

LIABILITIES

	August 31, 1967	August 31, 1966
CURRENT LIABILITIES:		
Accounts payable and accrued interest	\$ 49,634	\$ 30,856
Wages payable	—	722
Instalment due on December 23, 1967 on 3% mortgage payable, plus accrued interest	8,134	8,303
	<u>57,768</u>	<u>39,881</u>
MORTGAGE on real estate, bearing 3% interest, payable in annual instalments in U.S. funds	43,000	50,210
and maturing December 23, 1972 (converted)	7,167	7,173
LESS: Instalment maturing in 1967	<u>35,833</u>	<u>43,037</u>
CAPITAL STOCK:		
Authorized —		
3,000,000 shares of \$1.00 par value	<u>\$3,000,000</u>	—
Issued and fully paid —		
2,550,000 shares	2,550,000	2,550,000
CONTRIBUTED SURPLUS — net premium on shares issued	1,768,817	1,768,817
RETAINED PROFITS , as per annexed statement "3"	608,563	568,642
	<u>4,927,380</u>	<u>4,887,459</u>
UNREALIZED APPRECIATION on investments	1,418,905	1,908,404
SHAREHOLDERS' EQUITY	6,346,285	6,795,863
	<u>\$6,439,886</u>	<u>\$6,878,781</u>

NOTE 1 — Contingent liability: Additional Quebec capital tax of about \$12,000.00 claimed for the years 1964 to 1967 which is being contested by the Company.

NOTE 2 — Legal proceedings against Sullico Mines Limited concerning the issue and allotment of 4/5 of 340,000 shares in escrow of Sullipek Mines Inc. (non affiliated company) in favor of Sullico Mines Limited et al, in which shares Quebec Lithium Corporation has an interest, and in case of default in the delivery of such shares payment of the sum of \$1,000,000.00 in damages by Sullico Mines Limited: in the opinion of the legal adviser of the company, these proceedings are ill founded in fact and in law.

NOTE 3 — Annex I: Schedule of investments.

NOTE 4 — Annex II: Statement of source and application of funds.

We have examined the balance sheet of Quebec Lithium Corporation (No Personal Liability) as at August 31, 1967 and the related statements of income, retained earnings and contributed surplus for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, these financial statements, supplemented by the notes therein mentioned, present fairly the financial position of the company as at August 31, 1967 and the results of its operations for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year, excepting the devaluation of the stock of mining and milling supplies from average cost to a possible realization value with which we concur.

Montreal, November 9, 1967.

ANDERSON & VALIQUETTE
Chartered Accountants.

QUEBEC LITHIUM CORPORATION

(No Personal Liability)

STATEMENT OF OPERATIONS

for the year ended August 31, 1967

(With comparative figures as at August 31, 1966)

"2"

	August 31, 1967	August 31, 1966
SALES of finished products and materials in process — (1966 Production) — Note 5	\$ 217,219	\$ 333,224
LESS: Freight and duty	77,713	97,808
	<u>139,506</u>	<u>235,416</u>
DEDUCT:		
Cost at the mine including refining expenses	—	229,517
Depreciation of buildings, plant and equipment	309,902	394,897
Idle plant expenses — Note 5	120,363	115,610
Stock devaluation, including concentrates	—	200,626
Amortization of pre-milling and deferred development expenses and stope preparation expense	—	5,287
General administrative expenses	32,930	51,718
Marketing and technical research	26,944	16,210
	<u>490,139</u>	<u>1,013,865</u>
OPERATING LOSS	<u>350,633</u>	<u>778,449</u>
Loss on sales of mining and milling supplies	27,199	—
Devaluation of mining and milling supplies to their possible realization value and adjustments for the year	139,650	—
	<u>166,849</u>	<u>—</u>
	<u>(517,482)</u>	<u>(778,449)</u>
Net profit on sales of equipment	58,660	34,664
Sale of recuperated material and scrap	17,008	—
	<u>75,668</u>	<u>34,664</u>
	<u>(441,814)</u>	<u>(743,785)</u>
OTHER EXPENSES:		
Interest on mortgage and loans	1,356	1,558
	<u>(443,170)</u>	<u>(745,343)</u>
OTHER INCOME:		
Dividends	375,990	523,645
Interest	106,894	56,302
Profit on sale of bonds	2,589	2,000
Profit on sale of shares in affiliated company	—	270,518
	<u>485,473</u>	<u>852,465</u>
NET PROFIT FOR THE YEAR, carried to retained profits	<u>\$ 42,303</u>	<u>\$ 107,122</u>

NOTE 5 — No mining operations were performed during the year ended August 31, 1967.

"3"

RETAINED PROFITS

BALANCE at the beginning of the year
ADD: Net profit for the year ended August 31

DEDUCT:

Prior years' mining tax adjustments
Reduction and write-off of certain assets:
Additional depreciation to increase prior years' provisions
Broken ore reserve stocks underground
Pre-milling expenses, less amount written off
Deferred development and stope preparation expenses, less amount written off

Balance as at August 31, as per Balance Sheet

August 31, 1967	August 31, 1966
\$ 568,642	\$4,658,010
42,303	107,122
<u>610,945</u>	<u>4,765,132</u>
2,382	—
—	3,277,598
—	271,135
—	491,076
—	156,681
<u>2,382</u>	<u>4,196,490</u>
<u>\$ 608,563</u>	<u>\$ 568,642</u>

SCHEDULE OF INVESTMENTS

MARKETABLE SECURITIES:

Bonds
Shares

AFFILIATED COMPANIES:

	Shares held	Market price
Hastings Mining and Development Co. Ltd.	788,700	\$1.49
East Sullivan Mines Ltd.	100,850	5.35

Other shares at cost:

Chester Mines Limited: Shares 180,250**-1
\$79,000. August 31, 1974, interest payable at 6½% from
August 31, 1969

OTHER SHARES:

Sullipek Mines Inc. 62,500**-2
ADVANCES:
Chester Mines Limited

**Including pooled shares: 1-93,750; 2-22,500

Cost	Market value
\$ 615,072	\$ 600,126
300	696
<u>\$ 615,372</u>	<u>\$ 600,822</u>
115,150	1,175,163
166,104	539,547
<u>\$ 281,254</u>	<u>\$1,714,710</u>
\$ 8,650	No current market value
<u>\$ 77,850</u>	
\$ 5,724	
<u>\$ 110,000</u>	

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

CURRENT ASSETS as at August 31, 1966 \$2,290,250
CURRENT LIABILITIES as at August 31, 1966 39,881

SOURCE OF FUNDS:

Net profit for the year	42,303
Depreciation	309,902
Decrease in mining and milling supplies and prepaid expenses	250,001
Sales of fixed assets — net	32,634
Net increase in the unrealized appreciation in value of investments	271
	<u>635,111</u>
	2,885,480

APPLICATION OF FUNDS:

Additions to fixed assets	11,892
Outside exploration	3,393
Instalment on mortgage payable	7,204
Advances to an affiliated company	110,000
Purchases of shares and debentures	92,224
Quebec mining tax	2,382
	<u>227,095</u>

CURRENT ASSETS as at August 31, 1967

CURRENT LIABILITIES as at August 31, 1967

Working capital as at August 31, 1967

\$2,250,369	
2,716,153	
<u>57,768</u>	
<u>\$2,658,385</u>	
	<u>\$2,658,385</u>

HASTINGS MINING AND DEVELOPMENT CO. LTD.

(No Personal Liability)

BOARD OF DIRECTORS

Dr. Pierre Beauchemin
President

Jean Beauchemin
Vice-President

Lucien C. Béliveau, Eng.
General Manager

André Beauchemin, Eng.
Executive Assistant to the President
Secretary-Treasurer

J. Jacques Beauchemin, Attorney

Maurice Scott, Eng.
Exploration Manager

Brigadier Guy Gauvreau

OTHER OFFICERS

Réal J. Lafleur,
Assistant Secretary-Treasurer

R. B. Gosselin, Eng.
Mine Manager

AUDITORS

Beaulac, Hotte, Langlois,
Bennett & Tétreault
Montreal, Que.

BANKS

National Canadian Bank
Provincial Bank of Canada

TRANSFER AGENT

Guaranty Trust Company of Canada
Montreal and Toronto

LISTED

Canadian Stock Exchange
Toronto Stock Exchange

MINE OFFICE

Stratford Center, Que.

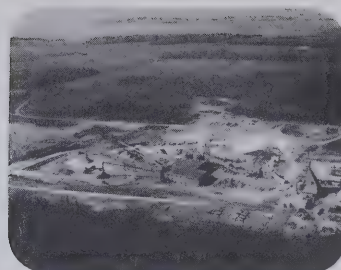
HEAD OFFICE

Suite 1403, 507 Place d'Armes
Montreal, Que.

ANNUAL MEETING

December 13, 1967 at 10.30 a.m.
Windsor Hotel, Montreal, Que.

SOLBEC



November 10, 1967

HASTINGS MINING AND DEVELOPMENT CO. LTD.

Your directors submit herewith the tenth annual report of your company covering the fiscal year ended August 31, 1967.

SUSPENDED PRODUCTION

Regrettably, a labour lock-out curtailed production at your company's affiliate, Solbec, from September 9, 1966 to March 7, 1967. It proved impossible to conclude more speedily a labour agreement compatible with the sound considerations of your mine management. The Solbec treatment plant bought by neighbouring Cupra Mines Limited subsequently has had to be used to its full capacity to accommodate both current production and the stockpile accumulated during the lock-out period at Solbec.

Your affiliate, Solbec, as a result, accumulated 74,405 tons of ore mined during the fiscal period ended August 31. Starting last September, Cupra's treatment plant began to handle the production of both companies alternatively. On the positive side, offsetting these inconveniences, it now looks probable that the accumulated production of Solbec will be disposed of at better copper prices than would have been the case if concentrates had been produced earlier on schedule. The prolonged strikes in the copper mining industry in the United States, in their turn, are contributing to a higher price for our product than prevailed in early 1967.

SALE OF THE TREATMENT PLANT

Your company, notwithstanding the loss of production during the past fiscal term, was still able to register a net profit of \$499,600. This, in the main, was the result of the favourable sale of the Solbec treatment plant to Cupra Mines Limited. As of September 1967, the ores from Solbec have been treated on a custom basis by Cupra. This arrangement will continue until the known ore reserves are fully depleted.

CHESTER MINES LIMITED

Four companies of the Sullivan Mining Group, including your company, are participating equally in the financing of a new affiliate, Chester Mines Limited. Each company is entitled to retain one quarter of the 77.5% interest involved in Chester Mines Limited. For further information on this new venture, please refer to page 59 of this report.

The general annual meeting of shareholders will be held in Montreal, at the Windsor Hotel on Thursday, December 13, 1967.

You are all cordially invited to attend.

The board of directors of Hastings Mining and Development Co. Ltd. wish to express their appreciation to all employees of the company, staff and officers, for their loyal services.

For the Board of Directors,

PIERRE BEAUCHEMIN
President

HASTINGS MINING AND DEVELOPMENT CO. LTD.

(No Personal Liability)
and its subsidiary

SOLBEC COPPER MINES, LTD.

(No Personal Liability)

(Incorporated under the Quebec Mining Companies' Act)

ASSETS

	August, 31, 1967	August 31, 1966
CURRENT ASSETS		
Cash on hand and in bank	\$ 134,333	\$ 712,436
Time deposits	1,216,050	2,300,000
Marketable securities at market value:		
Bonds	1,485,613	1,481,173
Shares	10,000	10,000
Accrued interest receivable	20,126	36,784
Accounts receivable	296,518	278,336
Income taxes recoverable	105,000	—
Concentrates in stock pile, valued on the basis of estimated net returns under sales contract	67,724	828,363
Ore in stock pile valued at cost of mining	603,394	—
Mining and milling supplies valued at average cost	618,188	567,108
Prepaid expenses	10,967	10,982
	<u>4,567,913</u>	<u>6,225,182</u>
SPECIAL REFUNDABLE TAX	<u>47,841</u>	<u>49,114</u>
INVESTMENTS		
300,000 shares, Cupra Mines Ltd. valued at shareholders' equity	227,470	256,583
Other shares and debentures at cost	91,640	5,140
Advances	110,000	—
	<u>429,110</u>	<u>261,723</u>
FIXED ASSETS		
Mining properties at cost	98,446	111,070
Buildings, plant and equipment at cost less depreciation of \$672,111	808,249	1,608,667
	<u>906,695</u>	<u>1,719,737</u>
PRE-MILLING EXPENSES		
less amortization	—	51,373
OUTSIDE EXPLORATION EXPENSES		
less amortization	14,166	19,899
	<u>14,166</u>	<u>71,272</u>
	<u>\$5,965,725</u>	<u>\$8,327,028</u>

Approved on behalf of the Board of Directors
ANDRÉ BEAUCHEMIN
LUCIEN-C. BÉLIVEAU

AUDITORS' REPORT TO THE SHAREHOLDERS

CONSOLIDATED BALANCE SHEET

as at August 31, 1967

(With comparative figures as at August 31, 1966)

LIABILITIES

	August 31, 1967	August 31, 1966
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 334,306	\$ 310,150
Wages payable	18,394	44,518
Provision for income taxes less instalments thereon	—	970,337
Provision for Quebec Mining Tax less instalments thereon	—	168,593
Special refundable tax	—	714
	<u>352,700</u>	<u>1,494,312</u>
CAPITAL STOCK		
Authorized, issued and fully paid 5,000,000 shares at 1.00 par value	5,000,000	5,000,000
Less discount thereon	<u>4,508,495</u>	<u>4,508,495</u>
	491,505	491,505
Retained profit as per statement	5,243,496	6,438,514
Unrealized appreciation on investments	<u>121,936</u>	<u>146,609</u>
	5,856,937	7,076,628
LESS:		
Excess of cost over book value of subsidiary shares at date of acquisition	<u>243,912</u>	<u>243,912</u>
SHAREHOLDERS' EQUITY	<u>5,613,025</u>	<u>6,832,716</u>
	<u>\$5,965,725</u>	<u>\$8,327,028</u>

NOTE 1 — Statement of source and application of funds, attached.

We have examined the consolidated balance sheet of Hastings Mining and Development Co. Ltd. (No Personal Liability) and its subsidiary as at August 31, 1967 and the related consolidated statements of operations and retained profits for the year ended on that date and we have received all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of the accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion and according to the best of our information and the explanations given to us and as shown by the books of the Companies, the annexed consolidated balance sheet and consolidated statements of operations and retained profits, supplemented by the notes to financial statements, are properly drawn up so as to exhibit a true and correct view of the state of the affairs of the Company and its subsidiary as at August 31, 1967 and the results of their operations for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the previous year.

BEAULAC, HOTTE, LANGLOIS, BENNETT & TÉTREULT,

Montreal, October 31, 1967.

Chartered Accountants

HASTINGS MINING AND DEVELOPMENT CO. LTD.(No Personal Liability)
and its subsidiary**SOLBEC COPPER MINES, LTD.**

(No Personal Liability)

CONSOLIDATED STATEMENT OF RETAINED PROFITS

	August 31, 1967	August 31, 1966
BALANCE AT THE BEGINNING OF THE YEAR	\$6,438,514	\$7,243,872
ADD: Consolidated net profit for the year	499,600	2,194,642
Adjustment, taxes of prior years	305,382	—
	<u>7,243,496</u>	<u>9,438,514</u>
DEDUCT: Dividends paid	<u>2,000,000</u>	<u>3,000,000</u>
BALANCE AT THE END OF THE YEAR carried to balance sheet	<u>\$5,243,496</u>	<u>\$6,438,514</u>

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

CURRENT ASSETS, August 31, 1966	\$6,225,182	
CURRENT LIABILITIES, August 31, 1966	<u>1,494,312</u>	
WORKING CAPITAL, August 31, 1966		\$4,730,870
SOURCE OF FUNDS:		
Net profit for the year	499,600	
Depreciation	104,560	
Amortization, pre-milling expenses	51,373	
Decrease in outside exploration expenditures	5,733	
Special refundable tax	1,273	
Adjustment, marketable securities	29,114	
Net decrease in fixed assets	708,481	
Adjustment, taxes of prior years	<u>305,382</u>	<u>1,705,516</u>
		<u>6,436,386</u>
APPLICATION OF FUNDS:		
Advances and purchase of shares and debentures	196,500	
Dividends paid	2,000,000	
Decrease in unrealized appreciation on investments	<u>24,673</u>	<u>2,221,173</u>
CURRENT ASSETS, August 31, 1967	<u>4,567,913</u>	
CURRENT LIABILITIES, August 31, 1967	<u>352,700</u>	
WORKING CAPITAL, August 31, 1967		<u>\$4,215,213</u>

CONSOLIDATED STATEMENT OF OPERATIONS

for the year ended August 31, 1967

(With comparative figures as at August 31, 1966)

	August 31, 1967	August 31, 1966
REVENUE FROM METAL RECOVERIES		
Production inclusive of cost of ore stock piled on surface (Note 3)	\$ 589,560	\$7,635,911
LESS: cost of realization and freight	<u>78,913</u>	<u>2,376,667</u>
	510,647	5,259,244
DEDUCT:		
Development and exploration expenses	3,465	50,948
Mining expense	458,127	908,483
Milling expense	11,412	370,377
General mine overhead	94,807	152,534
General administration expenses	83,909	81,180
Idle plant expenses, lock-out period (Note 3)	210,316	—
Depreciation of buildings, plant and equipment	104,560	393,264
Amortization of pre-milling expenses	51,373	329,262
Amortization of outside exploration expenditures	<u>—</u>	<u>17,953</u>
	1,017,969	2,304,001
OPERATING PROFIT	(507,322)	2,955,243
Profit or loss on sales of fixed assets (Note 2)	<u>303,686</u>	<u>(557)</u>
	(203,636)	2,954,686
OTHER INCOME:		
Custom milling and administration	63,339	258,448
Dividends	360,575	350,071
Interest	<u>174,322</u>	<u>142,392</u>
	598,236	750,911
PROFIT BEFORE TAXES	394,600	3,705,597
Provision for Quebec Mining Tax	—	210,618
Provision for income taxes	<u>(105,000)</u>	<u>1,300,337</u>
	(105,000)	1,510,955
CONSOLIDATED NET PROFIT FOR THE YEAR		
carried to retained profits	<u>\$ 499,600</u>	<u>\$2,194,642</u>

NOTE 2 — The mill was sold to Cupra Mines Ltd. on February 6, 1967.

NOTE 3 — Production was stopped due to a lock-out declared September 9, 1966 and settled March 7, 1967.

HASTINGS MINING AND DEVELOPMENT CO. LTD.

(No Personal Liability)
and its subsidiary

SOLBEC COPPER MINES, LTD.

(No Personal Liability)

SCHEDULE OF INVESTMENTS

as at August 31, 1967

		Cost	Market Value
MARKETABLE SECURITIES:			
Bonds		\$1,571,862	\$1,485,613
Shares		10,000	10,000
		<u>\$1,581,862</u>	<u>\$1,495,613</u>
SHARES AND DEBENTURES			
	Shares held		
Cupra Mines Ltd. (Valued as per shareholders' equity on 1967 audited balance sheet)	300,000	<u>\$ 19,285</u>	<u>\$ 227,470</u>
Chester Mines Limited common shares	180,250	\$ 8,650	No Current Market Value
Chester Mines Limited debentures 6½% due August 31, 1974	\$79,000	77,850	
Clinton Copper Mines Ltd. common shares	41,236	—	
Clinton Copper Mines Ltd. 4% preferred	5,140	<u>5,140</u>	
		<u>\$ 91,640</u>	
ADVANCES:			
Chester Mines Limited		<u>\$ 110,000</u>	

MINE MANAGER'S REPORT

October 27, 1967

The President and Directors,
SOLBEC COPPER MINES, LTD. (N.P.L.)

Gentlemen:

This report covers the operations at your property for the fiscal year ended August 31, 1967.

MINING

74,405 tons of ore were hoisted, out of which 70,999 tons were temporarily stockpiled on surface and 3,406 tons were milled.

Drifts totalling 1,150 feet were driven for the purpose of preparing stopes for production.

ORE RESERVES

Ore reserves at September 1, 1967 were calculated at 421,700 tons averaging 1.38% copper, 4.45% zinc, 0.81% lead, 0.023 ounce gold and 1.74 ounces silver per ton.

GENERAL

The breakdown of negotiations to renew a labour contract with the United Steel Workers of America representing the employees, caused operations to be suspended from September 9, 1966 until March 7, 1967, when a three-year contract was signed.

During the lock-out period, the mill was sold to Cupra Mines Ltd. Therefore, the ore mined at your property since the operations resumed had to be stockpiled due to a lack of processing capacity.

Since mid-September current production from the mine and additional tonnage from the surface stockpile are now being treated at the mill. At the present rate of operations, all the ore stockpiled shall be milled during the course of the year 1967-68.

I wish to thank the President, his Assistant, the Directors and the General Manager for their help and their advice. I also wish to thank all members of the staff for their efficiency and loyalty.

Respectfully submitted,

R. B. GOSSELIN, Eng.
Mine Manager

CUPRA MINES LTD.

(No Personal Liability)

BOARD OF DIRECTORS

Dr. Pierre Beauchemin
President

J. Jacques Beauchemin, Attorney
Vice-President

Lucien C. Béliveau, Eng.
General Manager

André Beauchemin, Eng.
Executive Assistant to the President
Secretary-Treasurer

Claude Beauchemin, Attorney

Gendron Beauchemin, Eng.

André Latreille, Eng.

OTHER OFFICERS

Réal J. Lafleur,
Assistant Secretary-Treasurer

R. B. Gosselin, Eng.
Mine Manager

Maurice Scott, Eng.
Exploration Manager

AUDITORS

**Beaulac, Hotte, Langlois,
Bennett & Tétreault**
Montreal, Que.

BANKS

**National Canadian Bank
Provincial Bank of Canada**

MINE OFFICE

Stratford Center, Que.

HEAD OFFICE

**Suite 1403, 507 Place d'Armes
Montreal, Que.**



CUPRA

November 10, 1967

CUPRA MINES LTD.

We submit herewith the sixth annual report of your company covering the fiscal period ended August 31, 1967.

You will find that the Profit and Loss Statement, the Balance Sheet and the Manager's Report, provide significant figures, pointing to good achievement for the year.

OUTLOOK

During its second year of production your company, reflecting world markets, was paid \$0.48 per pound of copper produced, compared to \$0.63 the preceding year. This fact alone accounts for a reduction in profits which nonetheless remained quite substantial.

The plant operation has reached a steady "regime". Ore reserves are sufficient to allow, on the average, comparable results for the next four years. We remain confident that the average price for copper over these next four years will remain in the vicinity of the \$0.48 per pound accounted for during the period just ended.

FINANCES

Cupra paid \$3,600,000. in dividends, reduced its debt by \$275,000., and at the same time acquired the milling plant and some other assets from Solbec Copper Mines Limited at the cost of \$1,134,558.

Your management favours a policy of maintaining dividends as high as compatible with the progressive re-imbursement of loans during these next years.

Your board of directors wish to express its appreciation to all employees, staff and officers, for their loyal services.

For the Board of Directors,

PIERRE BEAUCHEMIN
President

CUPRA MINES LTD.

(No Personal Liability)

(Incorporated under the Quebec Mining Companies' Act)

ASSETS

	August 31, 1967	August 31, 1966
CURRENT ASSETS		
Cash on hand and in bank	\$ 119,513	\$ 486,972
Accounts receivable	555,845	237,836
Accrued interest receivable	5,918	625
Prepaid expenses	22,327	8,361
Concentrates in stockpile valued on the basis of estimated net returns under sales contract . .	<u>1,080,809</u>	<u>2,104,725</u>
	<u>1,784,412</u>	<u>2,838,519</u>
 SPECIAL REFUNDABLE TAX	 <u>206,386</u>	 <u>102,277</u>
 FIXED ASSETS at cost		
Mining properties	99,064	84,636
Land, buildings, plant and equipment less depreciation of \$570,482	<u>1,911,142</u>	<u>1,163,491</u>
	<u>2,010,206</u>	<u>1,248,127</u>
 PRE-MILLING EXPENSES less amortization	 <u>1,389,923</u>	 <u>1,738,384</u>
	<u><u>\$5,390,927</u></u>	<u><u>\$5,927,307</u></u>

Approved on behalf of the Board of Directors
 ANDRÉ BEAUCHEMIN
 LUCIEN-C. BÉLIVEAU

AUDITORS' REPORT TO THE SHAREHOLDERS

BALANCE SHEET

as at August 31, 1967

(With comparative figures as at August 31, 1966)

LIABILITIES

	August 31, 1967	August 31, 1966
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 402,409	\$ 273,926
Wages payable	23,814	49,963
Provision for Quebec Mining Tax	215,000	385,306
Special refundable tax	<u>100,000</u>	<u>2,277</u>
	741,223	711,472
LOANS AND ADVANCES FROM AFFILIATED COMPANIES	<u>2,375,000</u>	<u>2,650,000</u>
CAPITAL STOCK		
Authorized, issued and fully paid 3,000,000 shares at 1.00 par value	3,000,000	3,000,000
less discount thereon	<u>2,699,994</u>	<u>2,699,994</u>
	300,006	300,006
RETAINED PROFIT as per statement	<u>1,974,698</u>	<u>2,265,829</u>
SHAREHOLDERS' EQUITY	<u>2,274,704</u>	<u>2,565,835</u>
	<u>\$5,390,927</u>	<u>\$5,927,307</u>

NOTE 1 — Statement of Source and Application of Funds attached.

NOTE 2 — The 36 month tax exemption period commenced October 1, 1965.

We have examined the balance sheet of Cupra Mines Ltd. (No Personal Liability) as at August 31, 1967 and the related statements of operations and retained profits for the year ended on that date, and we have received all the information and explanations we have required. Our examination included a general review of the accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion and according to the best of our information and the explanations given to us and as shown by the books of the Company, the above balance sheet and attached statements of operations and of retained profits, supplemented by the notes to financial statements, are properly drawn up so as to exhibit a true and correct view of the state of the affairs of the company as at August 31, 1967 and the results of its operations for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the previous year.

BEAULAC, HOTTE, LANGLOIS, BENNETT & TÉTREAU, L

Montreal, October 31, 1967.

Chartered Accountants

CUPRA MINES LTD.

(No Personal Liability)

STATEMENT OF RETAINED PROFITS

	August 31, 1967	August 31, 1966
BALANCE at the beginning of the year	\$2,265,829	—
ADD: Net profit for the year	<u>3,365,614</u>	<u>\$5,768,329</u>
	<u>5,631,443</u>	<u>5,768,329</u>
DEDUCT:		
Organization expenses	—	2,500
Dividends paid	3,600,000	3,500,000
Mining tax paid in excess of 1966 provision	<u>56,745</u>	<u>—</u>
	<u>3,656,745</u>	<u>3,502,500</u>
BALANCE AT THE END OF THE YEAR		
carried to balance sheet	<u><u>\$1,974,698</u></u>	<u><u>\$2,265,829</u></u>

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

CURRENT ASSETS, August 31, 1966	\$2,838,519	
CURRENT LIABILITIES, August 31, 1966	<u>711,472</u>	
WORKING CAPITAL, August 31, 1966		\$2,127,047
SOURCE OF FUNDS:		
Net profit for the year	3,365,614	
Depreciation	372,480	
Amortization, pre-milling expenses	<u>348,460</u>	<u>4,086,554</u>
		<u>6,213,601</u>
APPLICATION OF FUNDS:		
Dividends paid	3,600,000	
Taxes	160,854	
Net increase in fixed assets	1,134,558	
Decrease, loans and advances	<u>275,000</u>	<u>5,170,412</u>
CURRENT ASSETS, August 31, 1967	1,784,412	
CURRENT LIABILITIES, August 31, 1967	<u>741,223</u>	
WORKING CAPITAL, August 31, 1967		<u><u>\$1,043,189</u></u>

STATEMENT OF OPERATIONS

for the year ended August 31, 1967

(With comparative figures as at August 31, 1966)

	August 31, 1967	August 31, 1966
REVENUE FOR METAL RECOVERIES		
PRODUCTION	\$9,172,167	\$11,356,734
LESS cost of realization and freight	<u>2,578,290</u>	<u>2,493,933</u>
	<u>6,593,877</u>	<u>8,862,801</u>
DEDUCT:		
Development expense	10,014	186,756
Mining expense	1,373,917	923,342
Milling expense	428,971	589,046
Ore trucking	57,120	67,349
General mine overhead	161,868	86,395
General administration expense	59,337	40,059
Depreciation of buildings, plant and equipment	372,480	205,322
Amortization of pre-milling expenses	<u>348,460</u>	<u>354,761</u>
	<u>2,812,167</u>	<u>2,453,030</u>
OPERATING PROFIT	<u>3,781,710</u>	<u>6,409,771</u>
Loss on sale of equipment	14,682	—
Interest on loans	<u>33,676</u>	<u>28,453</u>
	<u>48,358</u>	<u>28,453</u>
	<u>3,733,352</u>	<u>6,381,318</u>
OTHER INCOME:		
Interest	<u>7,262</u>	<u>12,317</u>
PROFIT BEFORE TAXES	3,740,614	6,393,635
Provision for Quebec Mining Tax	<u>375,000</u>	<u>625,306</u>
NET PROFIT FOR THE YEAR		
carried to retained profits	<u>\$3,365,614</u>	<u>\$5,768,329</u>

MINE MANAGER'S REPORT

October 27, 1967

The President and Directors,
CUPRA MINES LTD. (N.P.L.)

Gentlemen:

This report covers operations at your property for the fiscal year ended August 31, 1967.

PRODUCTION

Metals	Weight		Value
Copper.....	15,350,018	lbs.	\$7,329,755.
Zinc.....	9,341,200	lbs.	1,215,992.
Lead.....	28,500	lbs.	902.
Gold.....	2,813.85	ozs.	105,686.
Silver.....	216,731.46	ozs.	371,180.
Cadmium.....	51,222.68	lbs.	148,652.

MILLING

A total of 232,307 tons of ore were milled. Average ore grade was 3.52 % Copper, 3.16 % Zinc, 0.40 % Lead, 0.020 oz. Gold and 1.37 ozs. Silver per ton.

DEVELOPMENT

Development advance during the year was as follows:

Drifts, Crosscuts, Raises.....	329 feet
Stope Development.....	4,461 feet

ORE RESERVES

On September 1, 1967 ore reserves totaled 601,000 tons averaging 3.57 % Copper, 3.73 % Zinc, 0.47 % Lead, 0.016 oz. Gold and 1.26 ozs Silver per ton.

The reserves do not include 200,000 tons of ore proven by diamond drilling on the downward extension of the orebody.

GENERAL

Operations at the mine have been maintained at an even rate throughout the year, in spite of the fact that production had to be stockpiled during a period of 6 months as a result of the shut-down of the Solbec Mill due to a lock-out.

The subsequent acquisition of the Solbec milling facilities made it possible to eventually put through all of the current year's production.

A new collective labour agreement of a three year duration was signed on December 5, 1966 with the United Mine Workers — District 50, representing the employees.

I wish to thank the President, his Assistant, the Directors and the General Manager for their help and guidance and all staff members for their efficiency and loyalty.

Respectfully submitted,

R. B. GOSSELIN, Eng.
Mine Manager

D'ESTRIE MINING COMPANY LTD.

(No Personal Liability)

BOARD OF DIRECTORS

Dr. Pierre Beauchemin
President

J. Jacques Beauchemin, Attorney
Vice-President

Lucien C. Béliveau, Eng.
General Manager

André Beauchemin, Eng.
Executive Assistant to the President
Secretary-Treasurer

Claude Beauchemin, Attorney

Gendron Beauchemin, Eng.

André Latreille, Eng.

OTHER OFFICERS

Réal J. Lafleur,
Assistant Secretary-Treasurer

R. B. Gosselin, Eng.
Mine Manager

Maurice Scott, Eng.
Exploration Manager

AUDITORS

Beaulac, Hotte, Langlois,
Bennett & Tétreault
Montreal, Que.

BANKS

National Canadian Bank
Provincial Bank of Canada

MINE OFFICE

Stratford Center, Que.

HEAD OFFICE

Suite 1403, 507 Place d'Armes
Montreal, Que.

D'ESTRIE MINING COMPANY LTD.

(No Personal Liability)

(Incorporated under the Quebec Mining Companies' Act)

ASSETS

CURRENT ASSETS:

	August 31, 1967	August 31, 1966
Cash on hand and in bank	\$ 79,334	\$ 129

FIXED ASSETS at cost

Mining properties	79,945	79,945
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Equipment (Note 1)	424,098	270,074
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	<u>504,043</u>	<u>350,019</u>
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PRE-PRODUCTION EXPENDITURES:

Development	805,327	331,705
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Administrative	56,536	4,940
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	<u>861,863</u>	<u>336,645</u>
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	<u>\$1,445,240</u>	<u>\$ 686,793</u>
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Approved on behalf of the Board of Directors
ANDRÉ BEAUCHEMIN
LUCIEN-C. BÉLIVEAU

AUDITORS' REPORT TO THE SHAREHOLDERS

BALANCE SHEET

as at August 31, 1967

(With comparative figures as at August 31, 1966)

LIABILITIES

	August 31, 1967	August 31, 1966
CURRENT LIABILITIES:		
Accounts payable and accrued liabilities	\$ 48,592	\$ 192,730
Wages payable	5,585	—
	<u>54,177</u>	<u>192,730</u>
LOANS PAYABLE TO AFFILIATED COMPANIES	<u>1,212,000</u>	<u>315,000</u>
CAPITAL-STOCK		
AUTHORIZED		
3,000,000 shares of \$1.00 par value		
ISSUED AND FULLY PAID		
1,790,562 shares	1,790,562	1,790,562
Less discount thereon	<u>1,611,499</u>	<u>1,611,499</u>
SHAREHOLDERS' EQUITY	<u>179,063</u>	<u>179,063</u>
	<u>\$1,445,240</u>	<u>\$ 686,793</u>

NOTE 1 — Since the company is not yet in production, no depreciation has been recorded on equipment.

We have examined the balance sheet of D'Estrie Mining Company Ltd. (No Personal Liability) as at August 31, 1967 and the related statements of development and of administrative expenditures (pre-production expenditures) and of changes in working capital for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the company as at August 31, 1967 and of its operations and the changes in working capital for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Montreal, October 31, 1967.

BEAULAC, HOTTE, LANGLOIS, BENNETT & TÉTREAULT
Chartered Accountants

D'ESTRIE MINING COMPANY LTD.

(No Personal Liability)

STATEMENT OF DEVELOPMENT EXPENDITURES

	Balance August 31, 1966	Expenditures during the year	Balance August 31, 1967
Mine development	\$ 329,098	\$ 409,386	\$ 738,484
Mine general expenses	2,607	64,236	66,843
PER BALANCE SHEET	<u>\$ 331,705</u>	<u>\$ 473,622</u>	<u>\$ 805,327</u>

STATEMENT OF ADMINISTRATIVE EXPENDITURES

	Balance August 31, 1966	Expenditures during the year	Balance August 31, 1967
Legal and Audit	\$ —	\$ 4,200	\$ 4,200
Capital and place of business taxes	131	110	241
Interest	4,584	47,284	51,868
Miscellaneous	225	2	227
PER BALANCE SHEET	<u>\$ 4,940</u>	<u>\$ 51,596</u>	<u>\$ 56,536</u>

STATEMENT OF CHANGES IN WORKING CAPITAL

CURRENT ASSETS as at August 31, 1966	\$ 129	
CURRENT LIABILITIES as at August 31, 1966	<u>192,730</u>	
WORKING CAPITAL as at August 31, 1966		(\$ 192,601)
APPLICATION OF FUNDS:		
Additions to fixed assets	154,024	
Increase in pre-production expenditures	<u>525,218</u>	<u>679,242</u>
		(871,843)
SOURCE OF FUNDS:		
Loans from affiliated companies		<u>897,000</u>
CURRENT ASSETS as at August 31, 1967	79,334	
CURRENT LIABILITIES as at August 31, 1967	<u>54,177</u>	
WORKING CAPITAL as at August 31, 1967		<u>\$ 25,157</u>

MINE MANAGER'S REPORT

November 1, 1967

The President and Directors,
D'ESTRIE MINING COMPANY LTD. (N.P.L.)

Gentlemen:

The present report covers the operations at your property since the initial stages of Sinking the Winze in January 1966 — until August 31, 1967.

The following table outlines the work done:

	Advance (ft)	Slash (cu. ft.)
Main Haulage.....	82	85,376
Exploration Drive.....	547	8,672
Ventilation Drive.....	1,110	1,050
Hoistroom.....	—	14,784
Sub-Station.....	—	8,192
Collar Shaft Station.....	—	27,480
Shaft Dump — Ore & Waste Pass.....	193	11,814
Cable Raise.....	158	—
Shaft Raising.....	132	—
Shaft Sinking.....	1,233	4,340
Level Stations (8).....	—	68,776
Loading Pocket.....	—	9,600
Spill Pocket.....	—	2,560
Crosscuts.....	579	1,050

ORE RESERVES

Diamond drilling totalling 8,889 feet has been done to date. This work has served to outline an ore zone containing 300,000 tons of ore between the 2,522 foot and the 3,100 foot horizons. Average grade has been figured at 3.81 % Copper, 4.25 % Zinc, 0.94 % Lead, 0.015 oz. Gold and 1.31 ozs. Silver per ton.

While shaft sinking was in progress, a few holes were drilled from the 3,275 foot level and ore sections cut in these holes confirm the continuity of the ore zone below this level.

GENERAL

A new 6 foot diameter double drum hoist was installed to enable sinking to proceed with dispatch.

Permanent installations have been provided in order to insure mining of the ore with safety and efficiency.

I wish to thank the President, his Assistant, the Directors and the General Manager for their help and their advice. I also wish to thank all members of the staff for their efficiency and loyalty.

Respectfully submitted,

R. B. GOSSELIN, Eng.,
Mine Manager

NIGADOO RIVER MINES LIMITED

BOARD OF DIRECTORS

Dr. Pierre Beauchemin
President

Jean Beauchemin
Vice-President

André Beauchemin, Eng.
Executive Assistant to the President
Secretary-Treasurer

Lucien C. Béliveau, Eng.
General Manager

Claude Beauchemin, Attorney
John C. Dumbille, Eng.
Cecil H. Franklin

OTHER OFFICERS

Réal J. Lafleur
Assistant Secretary-Treasurer

O. R. Wray, Eng.
Mine Manager

Maurice Scott, Eng.
Exploration Manager

AUDITORS

Price Waterhouse & Co.
Montreal, Que.

BANKS

National Canadian Bank
The Provincial Bank of Canada

TRANSFER AGENT

Eastern and Chartered Trust Company
Montreal, Que.

MINE OFFICE

Robertville, Gloucester County
N.B.

EXECUTIVE OFFICE

Suite 1403, 507 Place d'Armes
Montreal, Que.

HEAD OFFICE

Room 1401, 80 Richmond Street West
Toronto, Ont.

ANNUAL MEETING

December 13, 1967 at 11.30 a.m.
Windsor Hotel, Montreal, Que.



NIGADOO

November 8, 1967.

NIGADOO RIVER MINES LIMITED

We hereby submit the annual report of your company for the period of eight months ended August 31, 1967. In future, the fiscal period of your company will end on August 31 of each year.

FIXED ASSETS

Construction of the 1,000 ton per day plant near Bathurst, N.B., cost \$3,242,908. Of this amount, approximately \$2,000,000. was for milling equipment, \$800,000. for mine buildings and \$450,000. for employees' dwelling at Bathurst, (46 units). Comparisons with a similar project completed in 1962 at a Sullivan Group's affiliate "Solbec Copper Mines" showed that the Nigadoo construction was handled efficiently.

PRE-MILLING EXPENSES

Pre-milling expenses relate mostly to the underground development work and amount to \$4,493,192. as at August 31, 1967. They include the \$1,452,063. spent before the Sullivan Mining Group took over the project in 1965. Due to the shape of the Nigadoo deposit, the amount of drifts, cross-cuts, raises and other stope preparation works exceeds the development required by deposits of the "Solbec type" and accounts for the higher expenses. On the basis of the amount of work performed, these operations were also efficiently carried out.

PRODUCTION

The tuning-up period for the Nigadoo ores started on November 1, 1967. The metallurgical tests for the production of commercial concentrates indicated recoveries of 90% for lead-bismuth, of 80% for zinc-cadmium, of 66% for copper and 70% for silver. It has been estimated that, when the starting-up period is over, the direct operating cost would be \$7.50 per ton. Until August 1968, the rate of underground development will remain above normal. During that period, over 80% of the mill feed will be development ore. The grade of such ore, due to the extra-large dilution, will be approximately two-thirds of the grade calculated for the reserve. After August 1968, approximately 80% of the mill feed will be obtained from mining and the grade will be consistent with the grade of the reserves.

PROSPECT FOR FUTURE YEARS

Considering only present ore reserves and using the estimates for direct operating cost, the indicated recoveries, and current metal prices, the Nigadoo operations should allow the companies of the Sullivan Mining Group to be refunded at a satisfactory rate. Your Directors are confident that future development work will contribute significantly to your company's ore reserves and that the financial returns to shareholders will be commensurate with the risk involved in mining enterprises.

Your Directors wish to thank all employees, staff and officers of the company for their loyal services and to congratulate them on the successful production start at their company's property.

For the Board of Directors,

PIERRE BEAUCHEMIN
President

NIGADOO RIVER MINES LIMITED

(Incorporated under the Ontario Corporations Act on August 13, 1956)

ASSETS

	August 31, 1967	December 31, 1966
CURRENT ASSETS:		
Cash	\$ 13,902	\$ 26,612
Accounts receivable — Parent and affiliated companies	55,275	15,625
Others	2,293	2,177
Inventory of supplies, at cost	318,671	274,120
Prepaid expenses	27,813	4,928
	<u>417,954</u>	<u>323,462</u>
LONG-TERM DEPOSITS	<u>—</u>	<u>18,300</u>
FIXED ASSETS, AT COST:		
Mining claims under mining license and prospecting licenses	286,334	286,334
Surface rights	17,142	17,142
Land, buildings and equipment (Note 2)	<u>3,242,908</u>	<u>2,578,887</u>
	<u>3,546,384</u>	<u>2,882,363</u>
PRE-PRODUCTION EXPENDITURES:		
Development (Statement I)	4,248,540	3,252,737
Administrative (Statement II)	244,652	193,109
	<u>4,493,192</u>	<u>3,445,846</u>
ORGANIZATION EXPENSES	<u>6,587</u>	<u>6,587</u>
	<u><u>\$8,464,117</u></u>	<u><u>\$6,676,558</u></u>

Approved on behalf of the Board of Directors
 ANDRÉ BEAUCHEMIN
 C. H. FRANKLIN

AUDITORS' REPORT TO THE SHAREHOLDERS

BALANCE SHEET — August 31, 1967

(with comparative figures as at December 31, 1966 — Note I)

LIABILITIES AND CAPITAL

	August 31, 1967	December 31, 1966
CURRENT LIABILITIES:		
Accounts payable and accrued liabilities	\$ 230,777	\$ 173,422
Owing to parent and affiliated companies	132,714	37,081
	<u>363,491</u>	<u>210,503</u>
 LOANS PAYABLE TO PARENT AND AFFILIATED COMPANIES:		
Payable on demand, bearing interest at 1% per annum	6,097,500	4,461,000
Non-interest bearing notes, due one year after commencement of commercial production	100,000	100,000
	<u>6,197,500</u>	<u>4,561,000</u>
 CAPITAL:		
Capital stock —		
Authorized —		
3,000,000 shares of no par value		
Issued and fully paid —		
2,900,000 shares (Note 3)	1,954,215	1,954,215
DEDUCT: Abandoned claims and loss on sale of fixed assets	<u>51,089</u>	<u>49,160</u>
	<u>1,903,126</u>	<u>1,905,055</u>
	<u>\$8,464,117</u>	<u>\$6,676,558</u>

NOTE 1: By resolution of the Board of Directors on May 8, 1967, the company's fiscal year-end was changed from December 31 to August 31.

NOTE 2: Since the company is not yet in production, no depreciation has been recorded on buildings and equipment.

NOTE 3: An option in favour of Sullico Mines Limited and Sullivan Consolidated Mines Limited to purchase the remaining 100,000 shares of capital stock at \$1 per share is outstanding, exercisable within two years of the commencement of commercial production of the present mining claims but not later than December 31, 1967, provided the optionees or their assigns shall have advanced to the company the capital required to bring the said mining property into commercial production, in amounts and at a rate sufficient to maintain a development and mine preparation programme consistent with sound engineering advice.

We have examined the balance sheet of Nigadoo River Mines Limited as at August 31, 1967 and the related statements of development and of administrative expenditures (pre-production expenditures) and of changes in working capital for the eight months then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the company as at August 31, 1967 and of its operations and the changes in working capital for the eight months then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Montreal, October 20, 1967.

PRICE WATERHOUSE & CO.
Chartered Accountants.

NIGADOO RIVER MINES LIMITED

STATEMENT OF DEVELOPMENT EXPENDITURES

Statement I

	Balance, December 31, 1966	Expenditures during the eight months	Balance, August 31, 1967
Siding, roads and surface improvements	\$ 38,754	\$ 15,443	\$ 54,197
Surface exploration	322,888	27,150	350,038
Mine development	2,033,068	702,214	2,735,282
Metallurgical, including experimental	143,888	1,746	145,634
Mine general expenses	<u>722,731</u>	<u>249,250</u>	<u>971,981</u>
	3,261,329	995,803	4,257,132
Less: Amounts written off to cost of mining claims abandoned	<u>8,592</u>	<u>—</u>	<u>8,592</u>
Per balance sheet	<u>\$3,252,737</u>	<u>\$ 995,803</u>	<u>\$4,248,540</u>

STATEMENT OF ADMINISTRATIVE EXPENDITURES

Statement II

	Balance, December 31, 1966	Expenditures during the eight months	Balance, August 31, 1967
Salaries	\$ 44,220	\$ 6,800	\$ 51,020
Legal and audit	44,669	5,053	49,722
Transfer agent and registrar	3,205	—	3,205
Travelling	3,443	195	3,638
Management charges incurred by prior interests	21,369	—	21,369
Filing fees, capital and business taxes	12,097	773	12,870
Shut-down expenses	5,076	—	5,076
Interest	40,904	33,965	74,869
Miscellaneous	<u>18,126</u>	<u>4,757</u>	<u>22,883</u>
Per balance sheet	<u>\$ 193,109</u>	<u>\$ 51,543</u>	<u>\$ 244,652</u>

NIGADOO RIVER MINES LIMITED

Statement III

STATEMENT OF CHANGES IN WORKING CAPITAL

CURRENT ASSETS as at December 31, 1966	\$ 323,462	
CURRENT LIABILITIES as at December 31, 1966	<u>210,503</u>	\$ 112,959
SOURCE OF FUNDS:		
Loans from parent and affiliated companies	1,636,500	
Disposal of fixed assets	2,710	
Long-term deposit reclassified as current asset in 1967	<u>18,300</u>	1,770,469
APPLICATION OF FUNDS:		
Addition to fixed assets	668,660	
Increase in pre-production expenditures	<u>1,047,346</u>	<u>1,716,006</u>
		<u>\$ 54,463</u>
CURRENT ASSETS as at August 31, 1967		\$ 417,954
CURRENT LIABILITIES as at August 31, 1967		<u>363,491</u>
WORKING CAPITAL as at August 31, 1967		<u>\$ 54,463</u>

MINE MANAGER'S REPORT

October 18, 1967

The President and Directors

NIGADOO RIVER MINES LIMITED

Gentlemen:

Submitted herewith is the mine annual report for the eight months ended August 31, 1967.

DEVELOPMENT

The following rock excavation had been completed in the mine, by the end of the fiscal year.

	During the Fiscal Year			To-Date		
	feet	cu. feet	tons	feet	cu. feet	tons
Shaft				1,756		
Shaft Stations					106,047	
Loading Pockets					20,982	
Spill pockets					7,626	
Sumps		5,208			78,004	
Ore & Waste Passes				3,200		
Drifts & X-Cuts	8,943	29,724		22,375	29,724	
Raises	3,639	7,732		7,143	7,732	
Stope Preparation			34,463			34,463
Stoping			5,785			5,785

Particular attention was given to the opening-up by drifting of the main ore zone below the 450 foot level. In the area between the 450 and 900 levels, the necessary preparations were made to open up favorable zones for stoping. Several methods are considered for the recovery of ore from these zones.

To date, this work has substantiated the tonnage and grade indicated by surface diamond drilling and reported as 1,390,000 tons with a content of 4.36 ounces of silver per ton, 2.97 % lead, 2.77 % zinc and 0.34 % copper across an average width of 6.8 feet. The cadmium in the zinc concentrates will give an additional value — a 47 % zinc concentrate will contain 0.92 % of cadmium.

CONSTRUCTION

The mill building was completed, the installation of the machinery is progressing and was 80 % completed by August 31, 1967.

At the time of the writing of this report the mill was being readied and production should start shortly.

A large shed for stockpiling the various concentrates was built.

In conjunction with the Canadian National Railways, an adequate siding is being built near the Nigadoo crossing. Part of the yard space adjacent to the track will be paved, to provide storage while loading.

GENERAL

A collective agreement was signed with local #1043 of the Mine, Mill and Smelter Workers Union on February 3, 1967, terminating the strike which had halted work since October 22, 1966. It covers the construction period and the first three years of milling operations.

Skilled labour is still short supply, but training programmes and upgrading has helped materially to fill available positions from local personnel.

In concluding this report I wish to express my thanks to the president, his assistant, the directors and the general manager for their assistance and guidance throughout the year. I also wish to thank all members of the operating staff for their loyal and efficient co-operation.

Respectfully submitted,

O. R. WRAY, Eng.
Mine Manager

OUTSIDE EXPLORATION

1966-1967

October 31, 1967.

To the Directors

THE SULLIVAN MINING GROUP

Gentlemen:

The following report on the 'outside exploration' for the fiscal year ended August 31, 1967, is submitted for your consideration.

(In brackets appear the 1966 comparative figures.)

Geological mapping, geophysical surveys and geochemical soil sampling were carried out on 38 (35) mining properties. Surface diamond drilling was done on 16 (17) of the properties and totalled 90,367 (64,176) feet.

On four of the properties, exploration was done in partnership with other mining exploration companies.

Total expenditures amounted to \$791,936.40 (\$665,508.69) of which sum, \$323,067.18 was spent on the New Brunswick Clearwater property of Chesterville Mines Limited which had been optioned last year to your companies. This option has now been exercised.

Exploration activities of your companies took place in several districts of the province of Quebec and in the Maritime provinces as summarized below.

CHESTER MINES LIMITED

The mining property formerly owned by Chesterville Mines Limited in the District of Newcastle, New Brunswick, and covering 5,223 acres has now been transferred to Chester Mines Limited in which your companies hold an interest of 77½ %.

The total footage of surface diamond drilling done to date by your companies exceeds 90,000 feet and it indicates the presence of 4,200,000 tons of potential open pit ore. This tonnage is distributed in two areas of the property containing zones of mineralization described in our 1966 Annual Report.

One of the areas comprises the central massive sulfide zone near surface and adjacent disseminated copper zones extending to a vertical depth of 250 feet west of the central zone for a total tonnage of approximately 3,700,000 tons. The other area contains the remaining tonnage in the "east zone" located 1,200 feet east of the central zone.

The average grade has now been calculated at 0.82% copper before dilution with, in addition, a content of 0.8% lead and 2.0% zinc in 1,200,000 tons in the central massive sulfide and east zones, also before dilution.

A limited portion of the central zone has been found to be oxidized and has been temporarily left out of our reserves' estimates.

Latest metallurgical tests have indicated average metal recoveries of 84% copper, 52% lead, and 81% zinc for the whole calculated tonnage of 4,200,000 tons.

The ratio of total ore to waste would be approximately 1:1.

However, a fuller evaluation of the economics of the deposits will be known when a report on the results of a feasibility study will be completed.

More drilling with encouraging results is still in progress in the investigation at greater depths of the known disseminated copper zones.

Your companies also own 153 claims surrounding the main property of Chester Mines Limited. Exploration work on these claims during the year has located other diamond drill hole targets for probing.

NIGADOO RIVER MINES LIMITED

Your companies hold a large controlling interest in Nigadoo River Mines Limited, owner of a silver-lead-zinc-copper deposit situated at some 15 miles North-West of Bathurst, New Brunswick.

The property, now in initial production, has a milling capacity of over 1,000 tons per day. The mill feed will be, during the next few months, coming from stockpiled development ore.

Underground development work has to date outlined 249,300 tons of "porphyry ore" grading 0.60% copper, 0.97% lead, 1.20% zinc and 3.25 ounces of silver per ton and 488,400 tons of "argillite ore" grading 0.27% copper, 3.25% lead, 3.18% zinc and 3.69 ounces of silver per ton after allowing for appropriate dilution.

Considering that the remaining undeveloped tonnage of the ore reserves calculated from surface diamond drilling is of a better grade than the one developed underground to date, one can assume that previously reported ore estimates will be substantiated. Earlier ore estimates to a vertical depth of 1,000 feet were reported at 1,390,000 tons with a content of 4.36 ounces of silver per ton, 2.97% lead, 2.77% zinc and 0.34% copper across an average width of 6.8 feet. The presence of cadmium in the ore will also make a valuable contribution to smelter returns.

Only a limited amount of lateral underground development work was done below the 1,000 foot horizon during the year, but, this will be accelerated during the coming year.

Nigadoo has continued surface exploration on its 140 claims surrounding the main property. An induced polarization survey covering 81 line miles has recently indicated several drill targets and diamond drilling is planned for the near future.

MARITIMES PROVINCES

Main exploration activities were again concentrated in the Jacquet River area of New Brunswick and the Cheticamp area of Nova Scotia.

Several geophysical surveys were completed on two groups of 16 and 31 claims of the Jacquet River area. One diamond drill hole has failed to return any results of economic interest. Further work is still planned for the future.

The exploration programme initiated last year by your companies in the Cheticamp area of Nova Scotia has been continued on its own 153 claims and on three optioned properties known as the Ansil, Cranton and MacMillan options.

Geophysical surveys and soil sampling on these properties were followed by 4,637 feet of drilling in which nothing of economic value was encountered.

Assessment of some of the soil anomalies is continuing and additional geophysical surveys are planned for some of the properties.

Mount Pleasant Mines Limited and your companies have entered, during the year, into a memorandum of agreement where Mount Pleasant has optioned its mining property of 118 claims in Charlotte County in the Province of New Brunswick.

NORTHWESTERN QUEBEC

Surface diamond drilling for a total of 10,139 feet was done on 7 out of 13 properties which had been covered by other types of exploration work.

The only intersection of economic value was found on your group of claims in Quevillon township, but, its importance was not substantiated by additional drilling.

More work is planned for one optioned property and two groups of claims. Another property of the Val d'Or area has lately been optioned.

QUEBEC GASPE

Exploration continued on your 88 claims of Lesseps township and 7,563 feet of additional surface diamond drilling failed to give any results of economic importance. Operations have now been suspended.

Your Lesseps Gaspe claims optioned to Terra Nova Explorations Ltd. have now been transferred to Sullipek Mines Inc. in which your companies retain a net interest of 20.83 %.

Surface diamond drilling on this property has totalled to date approximately 60,000 feet.

It has been recommended that an adit be driven in order fully to evaluate, as to tonnage and grade, wide copper occurrences of an erratic nature with a possible content of 1 % copper.

However, after a number of discussions concerning the economics of the present ore picture and future work warranted, the Sullipek's management has decided to suspend operations for the coming winter months pending its decision on the method of further financing.

Detailed geological mapping and soil sampling on the property of Federal Metals Corporation will be followed by diamond drilling during this coming year.

Exploration is still continuing on a group of 60 claims which are under option to your companies in Joffre township.

QUEBEC EASTERN TOWNSHIPS

Surface diamond drilling for a total footage of 4,115 feet on the property of Clinton Copper Mines Limited has returned the following intersections in 3 out of 7 holes across the "C" zone:

3.64 % copper and 1.31 % zinc, 2.72 % copper and 1.02 % zinc and 1.62 % copper and 1.05 % zinc respectively across true widths of 9.8 feet, 7.7 feet and 6.1 feet at vertical elevations of 575, 665 and 1,050 feet. More drilling is also warranted in other zones of the property in which ore intersections have outlined promising concentrations.

Your companies now hold an interest of 30 % in Clinton Copper Mines Limited.

Other programmes of diamond drilling have also been planned lately for other areas of the Eastern Townships.

Sinking of the internal shaft at D'Estrie Mining Company Ltd. has advanced 1,233 feet to the horizon of the 3,275 foot level.

Diamond drilling at D'Estrie has already indicated, from the 2,520 foot level to a depth of 3,100 feet, the presence of 300,000 tons with a grade of 3.81 % in copper, 4.25 % in zinc, 0.94 % in lead, 0.015 ounce of gold and 1.31 ounces of silver per ton. Recent drilling from the 3,275 foot level has shown that the ore is still open at depth.

Submitted by,

MAURICE SCOTT, Eng.,
Exploration Manager.

THE SULLIVAN MINING GROUP

SHAREHOLDERS' EQUITY

	1967	1966	1965	1964	1963	1962	1961	1960	1959	1958
	(in thousands of dollars except the value per share)									
CURRENT ASSETS										
Cash in banks, securities and receivables . . .	\$13,390	\$15,124	\$ 8,024	\$ 9,203	\$ 5,815	\$ 5,707	\$ 7,038	\$ 7,855	\$ 9,348	\$ 6,966
Concentrates and ore stockpiled	1,921	4,168	6,617	2,525	3,148	2,664	1,863	1,479	1,625	1,698
Mining and milling supplies	1,289	1,779	1,772	1,753	1,720	1,611	1,511	1,540	1,289	1,310
	16,600	21,071	16,413	13,481	10,683	9,982	10,412	10,874	12,262	9,974
LESS: Current liabilities	1,317	3,518	1,293	1,176	673	706	571	568	794	440
WORKING CAPITAL	15,283	17,553	15,120	12,305	10,010	9,276	9,841	10,306	11,468	9,534
INVESTMENTS										
Other mining companies, loans and mortgages .	168	115	278	234	180	191	212	224	690	337
FIXED ASSETS										
Mining properties (Note 3)	736	1,076	972	993	680	679	685	600	488	488
Land, buildings and equipment at depreciated values	8,182	7,629	9,089	8,275	8,429	8,045	6,802	5,974	7,066	6,790
OTHER ASSETS										
Pre production expenses	9,371	7,031	6,773	6,161	4,310	4,235	3,501	3,015	1,914	2,992
Outside exploration expenses	812	803	723	498	413	378	370	411	323	309
Other deferred expenses	468	21	442	393	317	418	422	445	444	478
	35,020	34,228	33,397	28,859	24,339	23,222	21,833	20,975	22,393	20,928
LESS: Long Term Liabilities	406	143	150	57	65	72	76	73	76	83
TOTAL SHAREHOLDERS' EQUITY (Note 6)	\$34,614	\$34,085	\$33,247	\$28,802	\$24,274	\$23,150	\$21,757	\$20,902	\$22,317	\$20,845
Sullivan Consolidated Mines Limited	13,465	12,757	12,211	11,037	9,873	9,402	9,060	8,602	9,166	8,465
per share	4.71	4.46	4.27	3.72	3.11	2.90	2.69	2.55	2.61	2.33
East Sullivan Mines Limited	15,308	15,063	13,009	11,563	9,661	9,170	8,259	7,792	8,495	8,204
per share	5.92	5.82	5.03	4.44	3.72	3.51	3.17	2.99	3.16	3.04
Sullico Mines Limited	327	327	294	307	275	283	270	284	996	1,457
(Quebec Copper in 1958 and 1959)										
per share	5.46	5.38	4.61	4.05	3.34	3.15	2.81	2.64	0.24	0.41
Quebec Lithium Corporation	2,558	2,618	4,367	3,665	3,294	3,302	3,305	3,358	3,425	2,486
per share	2.42	2.48	4.14	3.47	3.12	3.12	3.18	3.23	3.30	2.47
Hastings Mining and Development Co. Ltd.	1,853	2,234	2,277	1,123	429	238	108	87	—	—
per share	1.19	1.43	1.55	0.90	0.37	0.20	0.10	0.10	—	—
Nigadoo River Mines Limited	425	425	425	425	—	—	—	—	—	—
per share	0.67	0.67	0.67	0.67	—	—	—	—	—	—
Courvan Mining Company Limited	415	422	425	447	507	520	520	544	—	—
per share	0.24	0.24	0.24	0.25	0.29	0.30	0.30	0.31	—	—
Federal Metals Corporation	233	239	239	235	235	235	235	235	235	233
per share	0.29	0.30	0.30	0.29	0.29	0.29	0.29	0.29	0.29	0.29
Chester Mines Limited	30	—	—	—	—	—	—	—	—	—
per share	0.04	—	—	—	—	—	—	—	—	—

TEN YEAR FINANCIAL SUMMARY

NET PROFIT

	1967	1966	1965	1964	1963	1962	1961	1960	1959	1958
	(in thousands of dollars)									
GROSS PRODUCTION	\$12,633	\$25,738	\$21,889	\$18,038	\$11,802	\$11,177	\$ 5,076	\$ 8,335	\$ 8,136	\$ 6,111
LESS:										
Cost of Realization, freight & duty	2,815	6,012	5,928	5,096	3,074	3,350	1,090	2,617	1,387	1,076
Net Production	9,818	19,726	15,961	12,942	8,728	7,827	3,986	5,718	6,749	5,035
LESS:										
Cost of Production (Note 1)	6,206	8,897	8,491	8,350	6,890	6,123	3,515	5,144	5,661	4,996
Operating Profit	3,612	10,829	7,470	4,592	1,838	1,704	471	574	1,088	39
LESS:										
Amortization of outside Exploration	281	392	193	107	286	211	122	164	144	141
	3,331	10,437	7,277	4,485	1,552	1,493	349	410	944	(102)
OTHER INCOME (Note 2)	1,341	722	1,160	773	362	484	523	311	215	76
LESS:										
Non Recurring Expenses	542	201	—	—	—	—	—	—	—	—
	799	521	1,160	773	362	484	523	311	215	76
Profit (Loss) before taxes	4,130	10,958	8,437	5,258	1,914	1,977	872	721	1,159	(26)
Income taxes and mining duties	92	2,783	731	576	207	107	26	325	377	17
NET PROFIT	\$ 4,038	\$ 8,175	\$ 7,706	\$ 4,682	\$ 1,707	\$ 1,870	\$ 846	\$ 396	\$ 782	\$ (43)

NOTE 1 — Includes depreciation on buildings, plant and equipment and the amortization on pre-milling expenditures.

NOTE 2 — Does not include income on investments from affiliated companies.

NOTE 3 — For the above ten year financial summary of the Sullivan Mining Group, the mining properties of Sullivan Consolidated Mines Limited, Courvan Mining Company Limited and Federal Metals Corporation totalling \$5,352,415. have been excluded, as nearly exhausted and unproductive mining properties could not be correctly valued.

NOTE 4 — For detailed information of the 1967 and 1966 net income, see the total statement of operations on page 6.

NOTE 5 — The number of shares, with percentages shown under each company's name, does not represent the total shares issued by each company but represents the shares held by the public, deduction made of inter-companies' holdings.

NOTE 6 — The value shown under each company's name represents the interests held by the public in the net assets at cost. No market value has been used for the shares in this compilation.

